

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
MICHIGAN UNEMPLOYMENT INSURANCE APPEALS COMMISSION

In the matter of the Claim of:

Christine M. Holifield,
Claimant-Appellant,

Appeal No. 20-024143

Case No. 24375735

v.

ALJ: Lindsay Wilson

**Michigan Unemployment Insurance
Agency,**
Agency-Appellee.

Claimant SSN: 

NATIONAL EMPLOYMENT LAW PROJECT
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APPENDIX

**AMICI CURIAE BRIEF OF NATIONAL EMPLOYMENT LAW PROJECT IN
SUPPORT OF CLAIMANT-APPELLANT CHRISTINE HOLIFIELD**

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APPENDIX A

<p style="text-align: center;">EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210</p>	<p>CLASSIFICATION Unemployment Insurance</p>
	<p>CORRESPONDENCE SYMBOL OUI/DUIO</p>
	<p>DATE February 25, 2021</p>

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 16-20, Change 5

TO: STATE WORKFORCE AGENCIES

FROM: SUZAN G. LEVINE 
 Principal Deputy Assistant Secretary

SUBJECT: Expanded Eligibility Provisions for the Pandemic Unemployment Assistance (PUA) Program

1. **Purpose.** To provide states with updated guidance for the PUA program, specifically regarding expanded eligibility provisions authorized under Section 2102(a)(3)(A)(ii)(I)(kk) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
2. **Action Requested.** The Department of Labor’s (Department) Employment and Training Administration (ETA) requests State Workforce Administrators provide the information contained in this Unemployment Insurance Program Letter (UIPL) and the attachments to appropriate program and other staff in state workforce systems to implement these changes to the PUA program.
3. **Summary and Background.**
 - a. Summary –The Department expands PUA eligibility to include three COVID-19 related reasons under which an individual may self-certify. This expansion is made under the authority provided by Section 2102(a)(3)(A)(ii)(I)(kk) of the CARES Act. These three reasons are added to the existing COVID-19 related reasons specified in items (aa)-(jj) of Section 2102(a)(3)(A)(ii)(I) of the CARES Act and the reason previously approved by the Secretary of Labor (Secretary) under Section 2102(a)(3)(A)(ii)(I)(kk) of the CARES Act for individuals who are self-employed and experience a significant reduction of services because of COVID-19.

These additional reasons address circumstances when an individual is directly affected by the COVID-19 public health emergency. They are: (1) individuals who refuse to return to work that is unsafe or to accept an offer of new work that is unsafe; (2) certain individuals providing services to educational institutions or educational service agencies; and (3) individuals experiencing a reduction of hours or a temporary or permanent lay-off.

<p>RESCISSIONS None</p>	<p>EXPIRATION DATE Continuing</p>
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These additional eligibility provisions apply retroactively to the beginning of the PUA program, though individuals who did not file an initial PUA claim on or before December 27, 2020 are limited to weeks of unemployment beginning on or after December 6, 2020. This limitation on backdating of a PUA claim is discussed in more detail in Section 4.b. of this UIPL. States must determine PUA effective dates consistent with instructions provided in Section C.15. of Attachment I to UIPL No. 16-20, Change 4.

States may seek additional funding of up to \$100,000 to cover startup costs for implementing the expanded eligibility provisions, including an update to the self-certification declaration as part of their initial PUA application and continued claim forms. States must submit the required request for funding (SF-424) electronically to covid-19@dol.gov, with a copy to the appropriate ETA Regional Office by March 15, 2021. Acknowledging that states need time to modify their initial PUA claim application and PUA continued claim forms to include these additional COVID-19 related reasons as part of the self-certification declaration, the Department expects many states will need until the end of March or later to have the new COVID-19 related reasons in place.

Attachment I provides a sample self-certification declaration that includes the original and new COVID-19 related reasons. ETA recommends that states use this with their initial PUA claim application and PUA continued claim forms. Attachment III provides instructions for completing the SF-424.

- b. Background – On March 27, 2020, the CARES Act was enacted (Public Law (Pub. L.) 116-136), which includes the Relief for Workers Affected by Coronavirus Act set out in Title II, Subtitle A. Section 2102 of the CARES Act created a new, temporary federal program called PUA and provided states with administrative funding to operate the program through an agreement with the Department.

PUA is a benefit of last resort and, in general, provides unemployment benefits to individuals who are: (1) not eligible for regular unemployment compensation (UC), Pandemic Emergency Unemployment Compensation (PEUC), or Extended Benefits (EB), including those who have exhausted all rights to such benefits, and those who are self-employed, seeking part-time employment, do not have sufficient wage history, or otherwise would not qualify for regular UC, PEUC, or EB; and (2) unemployed, partially unemployed, or unable or unavailable to work due to a specific COVID-19 related reason identified in Section 2102(a)(3)(A)(ii)(I)(aa)-(kk) of the CARES Act and Department guidance. Any weeks of benefits previously received under the regular UC or EB programs starting with week ending February 8, 2020 (February 9, 2020 for states with a Sunday week ending date) through week ending April 10, 2021 (April 11, 2021 for states with a Sunday week ending date) are deducted from the individual's PUA entitlement (*see* Section C.17. of Attachment I of UIPL No. 16-20, Change 4). States are reminded that PUA is 100 percent federally funded and states may not charge employers for these benefits.

The CARES Act authorized the Secretary to establish COVID-19 related reasons for which an individual may be eligible for PUA in addition to those specific COVID-19

related reasons specified in items (aa)-(jj) of Section 2102(a)(3)(A)(ii)(I) of the CARES Act. To date, the Department has added one additional COVID-19 related reason under this authority found in Section 2102(a)(3)(A)(ii)(I)(kk). The Department most recently discussed this COVID-19 related reason in Section C.1.kk. of Attachment I to UIPL No. 16-20, Change 4, which provides that “[s]elf-employed individuals (including independent contractors and gig workers) who experienced a significant diminution of their customary or usual services because of the COVID-19 public health emergency, even absent a suspension of services, may self-certify under item (kk).” This COVID-19 related reason remains in effect.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (Pub. L. 116-260), was enacted, which includes the Continued Assistance for Unemployed Workers Act of 2020 (Continued Assistance Act) set out in Division N, Title II, Subtitle A. The Continued Assistance Act extends the PUA program and enacts several program integrity measures, including a requirement that all individuals receiving a PUA payment after December 27, 2020, submit documentation substantiating employment, self-employment, or the planned commencement of employment or self-employment.

Where the CARES Act, as amended, and the operating instructions are silent, states should refer to the Disaster Unemployment Assistance (DUA) regulations at 20 C.F.R. Part 625.

The Department has published several UIPLs providing guidance to states regarding the PUA program.

- UIPL No. 16-20, published on April 5, 2020, provides implementation and operating instructions, instructions for obtaining administrative funding, and reporting instructions for the ETA 902-P report.
- UIPL No. 16-20, Change 1, published on April 27, 2020, includes several Questions and Answers, along with instructions for calculating an individual’s weekly benefit amount (WBA) and completing the ETA 9178-P Quarterly Narrative Progress Report.
- UIPL No. 16-20, Change 2, published on July 21, 2020, includes additional Questions and Answers.
- UIPL No. 16-20, Change 3, published on August 27, 2020, explains specific scenarios under which an individual who is a caregiver and affected by the reopening of school systems may be eligible for PUA.
- UIPL No. 16-20, Change 4, which the Department published on January 8, 2021, provides updated implementation and operating instructions, updates reporting instructions for the ETA 902-P report, and includes a summary table in Attachment III about how to process PUA claims based on the claim filing date.

Importance of Program Integrity. Addressing improper payments and fraud is a top priority for the Department and the entire UI system. States play a fundamental role in ensuring the integrity of the UI system. Especially during this time of extraordinary workloads, states should maintain a steadfast focus on UI functions and activities that ensure program integrity and the prevention and detection of improper payments and fraud across all programs operated within the UI system. It is critical that states implement processes that ensure payments are being made to eligible individuals and that states have aggressive strategies and tools in place to prevent, detect, and recover fraudulent payments, with a particular emphasis on imposter fraud by claimants using false or stolen identities.

Additionally, under the Continued Assistance Act, for states to have an adequate system for administering the PUA program, states must include procedures for identity verification or validation and for timely payment, to the extent reasonable and practicable, for all new PUA claims filed on or after January 26, 2021 (*see* Section C.3. of Attachment I to UIPL No. 16-20, Change 4).

UIPL No. 28-20, published on August 31, 2020, and UIPL No. 28-20, Change 1, published January 15, 2021, provides states with funding to assist with efforts to prevent and detect fraud and identity theft and recover fraud overpayments in the PUA and PEUC programs.

4. Guidance.

- a. **Expanded list of COVID-19 related reasons approved by the Department.** To be eligible for PUA, the state must verify that the individual is not eligible for regular UC (or PEUC or EB). The Department reminds states of other requirements for PUA:
- In general, an individual who has the ability to telework with pay, or who is receiving paid sick leave or other paid leave benefits is not eligible for PUA. *See* Section C.1. of Attachment I to UIPL No. 16-20, Change 4.
 - An individual must report any earnings from covered employment or income from self-employment each week. The individual's WBA must be reduced on account of such earnings and income as prescribed under state law. *See* the DUA regulations at 20 C.F.R. 625.6(f) for additional details regarding the effect earnings and income have on an individual's WBA. Question 15 of Attachment I to UIPL No. 16-20, Change 2, provides additional details regarding self-employment income.
 - An individual who continues to receive their full pay (*e.g.*, is not experiencing any reduction in pay) during the period they are not working is not considered to be "unemployed." *See* Section 4.a. of UIPL No. 10-20.

Individuals must also self-certify that they are unemployed, partially unemployed, or unable or unavailable to work for a COVID-19 related reason. Refer to Section 4.c. of

this UIPL for benefit payment control processes to address program integrity in the PUA program.

In addition to the current COVID-19 related reasons identified in items (aa)-(jj) of Section 2102(a)(3)(A)(ii)(I) of the CARES Act and the one reason previously approved under the Secretary's authority provided in Section 2102(a)(3)(A)(ii)(I)(kk) of the CARES Act (*see* Section 4.b. of UIPL No. 16-20, Change 2, and Section C.1.kk. of Attachment I to UIPL No. 16-20, Change 4), the Department hereby establishes additional COVID-19 related reasons under which an individual may self-certify to establish eligibility for PUA. These additional COVID-19 related reasons are described below.

- i. Individuals who refuse to return to work that is unsafe or accept an offer of new work that is unsafe. The Department approves the following COVID-19 related reason for an individual to self-certify for PUA eligibility: *“The individual has been denied continued unemployment benefits because the individual refused to return to work or accept an offer of work at a worksite that, in either instance, is not in compliance with local, state, or national health and safety standards directly related to COVID-19. This includes, but is not limited to, those related to facial mask wearing, physical distancing measures, or the provision of personal protective equipment consistent with public health guidelines.”*

For purposes of this COVID-19 related reason, unemployment benefits include regular UC, Unemployment Compensation for Federal Employees (UCFE), Unemployment Compensation for Ex-Servicemembers (UCX), PUA, PEUC, EB, Short-Time Compensation (STC), Trade Readjustment Allowances (TRA), Disaster Unemployment Assistance (DUA), and payments under the Self-Employment Assistance (SEA) program.

An individual is generally denied unemployment benefits if the state determines that the work is suitable and the individual did not have good cause for refusing such work. This new COVID-19 related reason applies only to individuals who had already been receiving unemployment benefits but were determined to be ineligible or disqualified under state law because they refused an offer of work at a worksite that was not in compliance with local, state, or national health and safety standards directly related to COVID-19. This is a separate COVID-19 related reason from item (ii) of Section 2102(a)(3)(A)(ii)(I) of the CARES Act, which provides eligibility to an individual who quits their job as a direct result of COVID-19.

For example, an individual may self-certify under this new COVID-19 related reason who has previously been denied because the state law does not consider health and safety standards when assessing suitability or good cause, *or* who has previously been denied because the health and safety standards considered under state law are more restrictive than the local, state, or national COVID-19 health

standards. Below are a few non-exhaustive scenarios. See Section 4.b.iv. of this UIPL for additional details regarding PUA effective dates.

- An individual was laid off in June 2020 and began receiving regular UC. The individual was recalled to work in October 2020. However, because the worksite was not in compliance with the local mask mandate, the individual refused to return to work. The individual was disqualified from continued receipt of regular UC under state law. The individual is now eligible to apply for PUA under this new COVID-19 related reason.
- An individual was laid off in October 2020 and began receiving regular UC. The individual received a new job offer in January 2021, however, the new worksite was unsafe due to non-compliance with physical distancing measures under state law. The individual was disqualified from continued receipt of regular UC under state law. The individual is now eligible to apply for PUA under this new COVID-19 related reason.

An individual is not eligible for PUA if they are otherwise eligible for regular UC (or PEUC or EB). Many states have provisions in their state UC law that consider work that unreasonably exposes an individual to health and safety risks to be unsuitable work. The state may determine, if it is consistent with the state's law, that the work is not suitable. Or, the state may find the work is suitable but determine that the individual had good cause for refusing such work.¹ In these circumstances, the individual must continue to receive unemployment benefits, provided they are otherwise eligible. The individual is not eligible for PUA using this new COVID-19 related reason if the individual was determined eligible for continued unemployment benefits for refusal of work under state law. Moreover, an individual who is allowed continued unemployment benefits and subsequently exhausts such benefits is not eligible for PUA using this new COVID-19 related reason.

- ii. Certain individuals providing services to educational institutions or educational service agencies. The Department approves the following COVID-19 related reason for an individual to self-certify for PUA eligibility: *“An individual provides services to an educational institution or educational service agency and the individual is unemployed or partially unemployed because of volatility in the work schedule that is directly caused by the COVID-19 public health emergency. This includes, but is not limited to, changes in schedules and partial closures.”*

This new COVID-19 related reason addresses situations where an individual provides services to educational institutions or educational service agencies and is subject to significant volatility in the school schedule directly related to COVID-

¹ The Department reminds states that Section 4102(b) of the Emergency Unemployment Insurance Stabilization and Access Act of 2020 (EUISAA), set out at Division D of the Families First Coronavirus Response Act (Pub. L. 116-127), provides states with the authority to temporarily modify their good cause provisions as needed in response to the spread of COVID-19 (see Section 5.C. of UIPL No. 13-20).

19. Whether the individual is “between or within terms” and has a “contract” or “reasonable assurance” to return in the subsequent year or term will affect the individual’s ability to self-certify under this COVID-19 related reason, as described below.² Attachment II provides a graphical representation of the process for determining PUA eligibility.

- A. *Individual does not have a contract or reasonable assurance.* An individual who: (1) has provided services to an educational institution or educational service agency; (2) lacks a contract or reasonable assurance and, as a result, is not subject to the “between and within terms” denial provisions; and (3) is not otherwise eligible for regular UC (or PEUC or EB) may self-certify eligibility for PUA under this new COVID-19 related reason if they are subject to significant volatility in the school schedule.

If the individual does not have a contract or reasonable assurance to return **and** self-certifies eligibility under this new COVID-19 related reason (or another COVID-19 related reason that is applicable to their situation), the individual may use wages from the educational institution to potentially qualify for a WBA that is higher than the state’s minimum PUA WBA.

- B. *Individual has a contract or reasonable assurance.* An individual is generally not eligible for PUA if they: (1) have provided services to an educational institution or educational service agency; and (2) are filing for a week that is between or within terms and they have a contract or reasonable assurance to return in the subsequent year or term, and, as a result, they are denied regular UC (or PEUC or EB). However, the individual may be eligible for PUA if they have other non-educational employment from which they are able to self-certify that they are unemployed, partially unemployed, or unable or unavailable to work for a different COVID-19 related reason. As described in Section 4.e.i. of UIPL No. 10-20, Change 1, wages from the educational institution may not be used to calculate the individual’s PUA WBA.

If school schedules or planned school openings are disrupted and an individual is found to no longer have a contract or reasonable assurance to return in the subsequent year or term, then they can establish eligibility going forward as described in subparagraph (A) under this new COVID-19 related reason or another COVID-19 related reason that is applicable to their situation.

² UIPL No. 10-20, Change 1, provides additional information about the “between and within terms” denial provision within the context of COVID-19. UIPL No. 05-17 clarifies the Department’s interpretation of the terms “contract” and “reasonable assurance” and assists states in applying these terms consistent with federal law requirements.

Federal law allows retroactive payments of regular UC (or PEUC or EB) under certain circumstances for individuals in a nonprofessional capacity if they no longer have a contract or reasonable assurance. *See* Section 4.d.(4). of UIPL No. 05-17. When determining if such individuals may receive PUA for weeks previously denied under regular UC (or PEUC or EB) because the individual had a contract or reasonable assurance and the individual was later found not to have reasonable assurance, states must first determine if the individual qualifies for regular UC (or PEUC or EB) under the state’s backdating provisions. If the individual does not qualify for backdating for regular UC, then they may retroactively self-certify for PUA under this new COVID-19 related reason. States must determine PUA effective dates consistent with instructions provided in Section 4.b.iv. of this UIPL and Section C.15. of Attachment I to UIPL No. 16-20, Change 4.

The individual must report any earnings each week that they file for PUA. The individual’s WBA must be reduced on account of such earnings and income as prescribed under state law. Individuals who receive a full salary during periods of disruption are not considered to be “unemployed” and would not be eligible for PUA. *See* Section 4.a. of UIPL No. 10-20.

- iii. Individuals experiencing a reduction of hours or a temporary or permanent lay-off. The Department approves the following COVID-19 related reason for an individual to self-certify for PUA eligibility: *“An individual is an employee and their hours have been reduced or the individual was laid off as a direct result of the COVID-19 public health emergency.”*

This new COVID-19 related reason expands eligibility beyond the current provision of item (jj) of Section 2102(a)(3)(A)(ii)(I) of the CARES Act, which is limited to situations where the individual’s place of employment is closed. Under this new COVID-19 related reason, if an individual is laid off because the place of employment is partially closed (either permanently or temporarily) or the individual has experienced a reduction in hours, the individual may now self-certify eligibility.

Generally, individuals in covered employment who are laid off, are experiencing a reduction in hours, or are working part-time as a result of partial business closure would qualify for regular UC (or PEUC or EB) and therefore would not be eligible for PUA. However, such individuals may not be eligible for regular UC (or PEUC or EB) because, for example, they lack sufficient wages to qualify, have a previous disqualification, or have exhausted regular UC, PEUC, and EB. This expanded COVID-19 related reason establishes a circumstance under which they may self-certify eligibility for PUA.³

³ For examples of individuals who may qualify for PUA with previous disqualifications, refer to Questions 30, 31, and 33 of Attachment I to UIPL No. 16-20, Change 1, or Question 12 of Attachment I to UIPL No. 16-20, Change 2.

The individual must report any earnings from the reduced hours when filing continued claims and such amounts must be deducted from the PUA weekly benefit amount in accordance with the state law. *See* Section C.16.c. of Attachment I to UIPL No. 16-20, Change 4.

b. **Processing claims using the expanded list of COVID-19 related reasons.** This section describes the steps that each state must take to: (1) update the self-certification declarations to include the new COVID-19 related reasons; (2) notify individuals of the expanded list of COVID-19 related reasons; (3) establish eligibility, as appropriate, using the expanded list of COVID-19 related reasons; and (4) adhere to the backdating limitations for retroactive PUA claims as described below.

i. States must update the self-certification declarations to include the new COVID-19 related reasons. States must modify their initial PUA claim application and PUA continued claim forms to include these additional COVID-19 related reasons as part of the self-certification declaration. Such changes are retroactive to the beginning of the PUA program. States must determine PUA effective dates consistent with instructions provided in Section C.15. of Attachment I to UIPL No. 16-20, Change 4.

Acknowledging that states need time to modify their initial PUA claim application and PUA continued claim forms to include these additional COVID-19 related reasons as part of the self-certification declaration, the Department expects many states will need until the end of March or later to have the new COVID-19 related reasons in place.

Attachment I provides a sample self-certification declaration, which includes the original and new COVID-19 related reasons that ETA recommends states use with their initial PUA claim application and PUA continued claim forms. Additionally, states must comply with the following instructions when updating the self-certification declarations.

A. *Paraphrasing of the COVID-19 related reasons is not permissible.*

Acknowledging that eligibility under the PUA program is limited to specific COVID-19 related reasons, states must include the specific text for each item as provided in the CARES Act statute and Department guidance, including this UIPL. States may shorten the original COVID-19 related reason approved by the Secretary to read, “The individual is self-employed and experienced a significant reduction of services because of COVID-19.” However, **states may not paraphrase** the other COVID-19 related reasons except to personalize the responses (*e.g.*, instead of saying “The individual has been...” the state may write “I have been...”).

While states must include the specific text for each item, to help individuals understand the COVID-19 related reasons and to comply with the requirements outlined in UIPL No. 02-16, Change 1, states may translate the

text into the appropriate languages for their population and provide examples consistent with Section C.1. of Attachment I to UIPL No. 16-20, Change 4, and Section 4.a. of this UIPL as an additional resource.

- B. *Individuals must be permitted to select more than one COVID-19 related reason.* Acknowledging that an individual may have more than one COVID-19 related reason affecting their unemployment or inability to work in a given week, states must provide individuals with the ability to choose more than one COVID-19 related reason on each self-certification declaration for the initial application and continued claim forms.

For example, an individual may have quit their job because their child, for which they are the primary caregiver, is unable to attend school because the school is closed to in-person instruction as a direct result of the COVID-19 public health emergency. The individual continues to be unable to work because the child continues to be unable to attend school in-person. Under these circumstances, the individual may self-certify that they are unemployed under item (dd) and unavailable under item (ii) of Section 2102(a)(3)(A)(ii)(I) of the CARES Act.

As another example, an individual may be unable to work because they are the primary caregiver of a child who is unable to attend school because the school is closed to in-person instruction as a direct result of the COVID-19 public health emergency. That same individual may also be immunocompromised and unable to reach their place of employment because they have been advised by a health care provider to self-quarantine. Under these circumstances, the individual may self-certify that they are unable or unavailable to work under both items (dd) and (ff) of Section 2102(a)(3)(A)(ii)(I) of the CARES Act.

- C. *Individuals must be permitted to select different COVID-19 related reasons each week.* Acknowledging that an individual's circumstances may change over time, states must provide individuals with the ability to select different COVID-19 related reasons each week on the continued claim form, rather than automatically carrying over an individual's response from the initial claim application or prior week's certification.

To continue the examples in paragraph B., the school may reopen in a subsequent week to provide in-person instruction. With this change in circumstances, the first and second individuals may no longer self-certify under item (dd) of Section 2102(a)(3)(A)(ii)(I) of the CARES Act because the school is no longer closed. However, both individuals may continue to self-certify under the other COVID-19 related reasons that are applicable to their respective situations.

D. *Individuals must be permitted to file and select no COVID-19 related reasons.* Acknowledging that, along with an individual’s changing circumstances, an individual might continue to file after they are no longer unemployed, partially unemployed, or unable or unavailable to work because of a COVID-19 related reason, the initial claim application and continued claim forms must provide an option for the individual to self-certify that none of the COVID-19 related reasons apply. For example, the state could provide an option for the individual to select “None of the above.” However, if the individual self-certifies that none of the COVID-19 related reasons apply, the individual will be denied for the week in question because they no longer meet the eligibility requirements for PUA and the state must issue a written, appealable determination (*see* Section C.20. of Attachment I to UIPL No. 16-20, Change 4).

ii. Notification of the expanded list of COVID-19 related reasons.

A. *Notification to individuals.* States must notify **every** individual who had previously filed a PUA claim at any time while the PUA program was in effect, and was denied for **any** week because they were not unemployed, partially unemployed, or unable or unavailable to work for one of the COVID-19 related reasons available at the time. This notification must advise the individual of the opportunity to self-certify to the complete list of COVID-19 related reasons, including the new criteria provided in Section 4.a. of this UIPL. Such notification must occur individually as described in Section C.28. of Attachment I to UIPL No. 16-20, Change 4.

The Department reminds states that if the state determines that a PUA claim was filed by an individual that did not own the identity, the state may not send any notification of potential entitlement to the individual.

Because states should have notified all individuals of the opportunity to file for PUA at the time a regular UC, PEUC, or EB claim was denied of the opportunity to file for PUA, states need not individually notify such individuals who did not apply for PUA about the expanded eligibility provisions.

B. *Notification to media.* To assure public knowledge of the status of the PUA program, consistent with Section C.28.c. of Attachment I to UIPL No. 16-20, Change 4, states must notify all appropriate news media having coverage throughout the state of the new eligibility provisions of the PUA program. States may also post general information about the expanded eligibility provisions on their websites and other social media.

iii. Establishing eligibility using the expanded list of COVID-19 related reasons. To establish eligibility for PUA based on one of the new COVID-19 related reasons, the individual must complete an initial PUA application (if they have not already

filed a PUA claim) and the state must verify that the individual is not eligible for regular UC (or PEUC or EB). Additionally, the state must provide the individual with a self-certification declaration including the expanded list of COVID-19 related reasons to assess initial eligibility for the PUA claim.

If the state determines that the individual is not eligible for PUA, the state must issue an appealable determination. *See* Section C.20. of Attachment I to UIPL No. 16-20, Change 4.

An individual who establishes retroactive initial eligibility for PUA must then be required to complete continued claim forms for each week (including the self-certification declaration that includes the original and expanded list of COVID-19 related reasons) to receive payment. States must process this additional information and make retroactive payment as appropriate. This includes paying FPUC at the appropriate amount for any weeks paid during the relevant time period (*i.e.*, FPUC payments at the \$600 amount for eligible weeks of unemployment between the weeks ending April 4, 2020 and July 25, 2020 (or between the weeks ending April 5, 2020 and July 26, 2020 for states with a Sunday week ending date) and FPUC at the \$300 dollar amount for weeks of unemployment between the weeks ending January 2, 2021 and March 13, 2021 (or between the weeks ending January 3, 2021 and March 14, 2021 for states with a Sunday week ending date). *See* UIPL Nos. 15-20 and 15-20, Change 3, for additional information regarding FPUC payments.

Individuals filing new PUA initial claims that have not been through the state's identity verification process must have their identities verified to be eligible (*see* Section C.3. of Attachment I to UIPL No. 16-20, Change 4). The Department also strongly encourages states to validate the identity for reopened claims that have not previously been verified.

iv. Effective dates.

A. *Existing PUA claims.* For individuals with a PUA claim filed on or before December 27, 2020, the expanded COVID-19 related reasons provided in Section 4.a. of this UIPL are to be applied retroactively based on the effective date of an individual's existing PUA claim.

However, if the new COVID-19 related reason applied before the effective date of the individual's existing PUA claim, the claim must be backdated to the date that the new COVID-19 related reason applied. For example, an individual may have filed a new PUA claim before December 27, 2020 with an effective date in April 2020 based on the previous COVID-19 related reasons available. With the addition of the new COVID-19 related reason, the individual actually may have first been eligible in February 2020. Because this existing PUA claim was filed on or before December 27, 2020, the state must backdate the PUA claim from April 2020 to February 2020 – when the individual first met the applicable COVID-19 related reason.

B. *New PUA claims.* For individuals filing an initial PUA claim after December 27, 2020, states must determine PUA effective dates for new PUA claims consistent with instructions provided in Section C.15. of Attachment I to UIPL No. 16-20, Change 4. For example, if an individual files a new PUA claim after the publication of this UIPL because of circumstances occurring in July 2020, absent a PUA claim already being on file and consistent with the Continued Assistance Act, the claim effective date may not be any earlier than December 1, 2020 (weeks of unemployment beginning on or after December 6, 2020), and retroactive benefits may not be awarded prior to that date.

- c. **Benefit payment control processes.** Section 2102 of the CARES Act relies on self-certification to verify that an individual is unemployed, partially unemployed, or unable or unavailable to work because of a listed COVID-19 related reason. However, states have multiple tools to identify and address suspicion of fraud in the PUA program.

As described in Question 23 of Attachment I to UIPL No. 16-20, Change 2, states have authority to request supporting documentation when investigating the potential for fraud and improper payments. For example, the DUA regulation at 20 C.F.R. 625.14(h) refers to the Secretary's "Standard for Fraud and Overpayment Detection" found in Sections 7510 *et seq.* of the *Employment Security Manual* (20 C.F.R. Part 625 Appendix C). Requests for supporting documentation and a state's investigative and adjudicative practices must be done in alignment with the processes described in UIPL No. 01-16 to ensure individuals are afforded appropriate procedural protections.

States must use the required cross matches and tools, and should use the other cross matches and tools described in Section 4.b. of UIPL No. 23-20 to monitor for suspicious activity on PUA claims, as they do for regular UC. States must share PUA claim information with the Department's Office of Inspector General (OIG) for the purposes of investigating fraud. Moreover, the Department strongly recommends that states collaborate with the UI Integrity Center (Center). The Center, funded by the Department and operated by the National Association of State Workforce Agencies, provides states with the Integrity Data Hub (IDH), which includes identity verification (IDV), the Suspicious Actor Repository (SAR), suspicious e-mail domains, Multi-State Cross Match (MSCM), foreign internet protocol (IP) address detection, and the Fraud Alert system.⁴ The Center has provided states with new tools to support data mining to detect fraud. The Center also identifies, organizes, shares, and supports promising and innovative integrity practices and provides state-specific consulting, mentoring, and technical assistance. There is also a range of other tools on the market that states should consider when combating fraud and ensuring program integrity.

Additionally, the Department strongly recommends as a best practice that states implement two new cross matches as part of the benefit payment control process for PUA to ensure integrity in applying the expanded COVID-19 related reasons provided in this

⁴ Note that the Integrity Data Hub is currently only available to the 50 states, plus the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands.

UIPL. These may be conducted only after the individual has established initial eligibility for PUA based on self-certification. States may choose to perform these cross matches before the first PUA payment is issued or later. Additionally, states may develop other cross matches not already discussed in this UIPL to strengthen program integrity in the PUA program.

- i. Cross match of state unemployment claim records with respect to individuals who self-certify that they refused work that is unsafe because of the COVID-19 public health emergency.

If the state identifies any discrepancies through this cross match (*e.g.*, the individual does not have a previous unemployment claim or the individual was disqualified for a reason other than refusing work because of health and safety standards at the worksite), the state must review information already on file and take any action necessary to address the discrepancies.

If the information on file with the state contradicts the individual's PUA self-certification (*e.g.*, previous adjudication of the issue determined that the worksite was in compliance with health and safety standards or previous adjudication of the issue determined that the individual refused work due to a reason that was not because of unsafe working conditions), then the state has reasonable suspicion of fraud and must open an investigation to conduct fact finding to determine if the individual's PUA eligibility is valid.

Because the PUA self-certification may be different from the state's provisions for suitable work and good cause (*e.g.*, the new COVID-19 related reason accounts for local, state, and national health and safety standards directly related to COVID-19), it is possible for an individual to be denied unemployment benefits under state law for health and safety standards and be eligible for PUA.

If the state does not identify any discrepancies through this cross match (*e.g.*, the individual has a previous unemployment claim, the individual refused work because the worksite was not in compliance with health and safety standards, the individual was denied continued benefits, and the state record does not contain information which contradicts this self-certification), the state does not have reasonable suspicion of fraud to open an investigation.

- ii. Cross match of state unemployment claim records and individuals who self-certify that they were providing services to educational institutions or educational service agencies and are unemployed or partially unemployed because of volatility in the work schedule caused by the COVID-19 public health emergency.

If the state identifies any discrepancies through this cross match (*e.g.*, the individual does not have a record of providing services to an educational institution or educational service agency), the state may have reasonable suspicion of fraud.

The state's follow-up investigation regarding these results may include whether the individual provided services to an educational institution or educational service agency prior to filing for PUA and, if so, whether the individual is subject to the "between and within terms" denial provision during the time that such individual was receiving PUA.

If the investigation finds that the individual (at the time of certifying under this COVID-19 related reason) is subject to the "between and within terms" denial provision because they have a contract or reasonable assurance to return at the subsequent year or term, then the PUA payment is improper – unless the individual meets the condition of having other non-educational employment and also self-certifies for a different COVID-19 related reason, as described in Section 4.a.iii.B. of this UIPL. An overpayment must be established and state law will determine whether or not such an overpayment is considered fraudulent.

- d. **Additional administrative costs for implementation.** Section 4.d. of UIPL No. 09-21 provides \$250,000 to cover startup costs for states implementing the PUA program. Additional funding of up to \$100,000 is available to states under this UIPL to cover costs for implementing these expanded eligibility provisions, including an update to the self-certification declaration as part of their initial PUA application and continued claim forms as described in this UIPL. States must submit a signed SF-424 form to request this funding.

Permissible implementation costs include:

- Computer programming and other technology costs;
- Implementation of necessary business processes required for program implementation;
- Training and travel;
- Notices to beneficiaries; and
- Overhead related only to the above.

States will receive funding to administer claims under these provisions as part of their usual submissions of workload counts to the Department. Such ongoing administrative costs must not be included in the request for implementation funding. *See* Attachment II of UIPL No. 16-20, Change 4, for updated instructions on the ETA 902P report.

States that need funding in addition to the \$100,000 offered under this UIPL to cover implementation costs must submit a Supplemental Budget Request (SBR) detailing such costs along with the required SF-424 form. The basis for these estimated costs must be included in the SBR application. Calculations for costs for state staff and contractors should be shown in accordance with the SBR instructions in ET Handbook No. 336, 18th Edition, Change 4, *Unemployment Insurance State Quality Service Plan Planning and Reporting Guidelines*.

States must submit the required request for funding electronically to covid-19@dol.gov, with a copy to the appropriate ETA Regional Office by March 15, 2021. For SBR application instructions, refer to UIPL No. 16-20, Attachment IV, Supplemental Budget Request (SBR) Application Template. For information on completing the SF-424, refer to Attachment III of this UIPL, Instructions for Completing the SF-424.

Additionally, please note that grantees that receive supplemental grant awards for implementing these program changes must submit a quarterly progress report using the form ETA 9178-P to the appropriate ETA Regional Office. The form ETA 9178-P requires the grantee to provide ETA with narrative updates on supplemental grant activities. Attachments III and IV to UIPL No. 16-20, Change 1 contain form ETA 9178-P and instructions for completing the form ETA 9178-P and timeline for the submission of these status reports.

5. **Inquiries.** Please direct inquiries to covid-19@dol.gov with a copy to the appropriate ETA Regional Office.

6. **References.**

- Consolidated Appropriations Act, 2021, including Division N, Title II, Subtitle A, the Continued Assistance for Unemployed Workers Act of 2020 (Pub. L. 116-260) (Continued Assistance Act);
- Coronavirus Aid, Relief, and Economic Security (CARES) Act (Pub. L. 116-136), including Title II, Subtitle A, Relief for Workers Affected by Coronavirus Act;
- Families First Coronavirus Response Act (Pub. L. 116-127), including Division D Emergency Unemployment Insurance Stabilization and Access Act of 2020 (EUISAA);
- 20 C.F.R. Part 625, Disaster Unemployment Assistance;
- UIPL No. 28-20, Change 1, *Additional Funding for Identity Verification or Verification of Pandemic Unemployment Assistance (PUA) Claimants and Funding to Assist with Efforts to Prevent and Detect Fraud and Identity Theft as well as Recover Fraud Overpayments in the PUA and Pandemic Emergency Unemployment Compensation (PEUC) Programs*, issued January 15, 2021, https://wdr.doleta.gov/directives/corr_doc.cfm?docn=9897;
- UIPL No. 28-20, *Addressing Fraud in the Unemployment Insurance (UI) System and Providing States with Funding to Assist with Efforts to Prevent and Detect Fraud and Identity Theft and Recover Fraud Overpayments in the Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) Programs*, issued August 31, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=8044;
- UIPL No. 23-20, *Program Integrity for the Unemployment Insurance (UI) Program and the UI Programs Authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Federal Pandemic Unemployment Compensation (FPUC), Pandemic Unemployment Assistance (PUA), and Pandemic Emergency Unemployment Compensation (PEUC) Programs*, issued May 11, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=4621;

- UIPL No. 16-20, Change 4, *Continued Assistance to Unemployed Workers Act of 2020 – Pandemic Unemployment Assistance (PUA) Program: Updated Operating Instructions and Reporting Changes*, issued January 8, 2021, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=6973;
- UIPL No. 16-20, Change 3, *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Eligibility of Individuals who are Caregivers for Pandemic Unemployment Assistance (PUA) in the Context of School Systems Reopening*, issued August 27, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3849;
- UIPL No. 16-20, Change 2, *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Pandemic Unemployment Assistance (PUA) Additional Questions and Answers*, issued July 21, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5479;
- UIPL No. 16-20, Change 1, *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Pandemic Unemployment Assistance (PUA) Program Reporting Instructions and Questions and Answers*, issued April 27, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5899;
- UIPL No. 16-20, *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Pandemic Unemployment Assistance (PUA) Program Operating, Financial, and Reporting Instructions*, issued April 05, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=4628;
- UIPL No. 10-20, Change 1, *Unemployment Compensation (UC) for Individuals Affected by the Coronavirus Disease 2019 (COVID-19) – Interpretation of “Between and Within Terms” Denial Provisions in Section 3304(a)(6)(A) of the Federal Unemployment Tax Act (FUTA)*, published May 15, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=8879;
- UIPL No. 05-17, *Interpretation of “Contract” and “Reasonable Assurance” in Section 3304(a)(6)(A) of the Federal Unemployment Tax Act*, published December 22, 2016, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=8999;
- UIPL No. 02-16, Change 1, *State Responsibilities for Ensuring Access to Unemployment Insurance Benefits, Services, and Information*, published May 11, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=5491; and
- ET Handbook No. 336, 18th Edition, Change 4, *Unemployment Insurance State Quality Service Plan Planning and Reporting Guidelines*.

7. Attachment(s).

- **Attachment I:** Sample Self-Certification Declaration for Individuals Claiming PUA.
- **Attachment II:** PUA Eligibility for Certain Individuals Providing Services to Educational Institutions or Educational Service Agencies.
- **Attachment III:** Instructions for Completing the SF-424.

Sample Self-Certification Declaration for Individuals Claiming PUA

To be eligible for PUA, the state must determine that the individual is not eligible for regular UC, PEUC, or EB (*see* Section C.12.b. of Attachment I to UIPL No. 16-20, Change 4). This includes an individual who is self-employed, seeking part-time employment, does not have sufficient work history, or would otherwise not qualify for regular UC (or PEUC or EB). The individual must also self-certify that they are otherwise able to work and available for work within the meaning of applicable state law, except that they are unemployed, partially unemployed, or unable or unavailable to work for a listed COVID-19 related reason(s). ETA recommends that states use this sample self-certification declaration as part of the initial claim application and continued claim form to meet the requirement to obtain self-certification that an individual meets the COVID-19 related reason(s) in Section 2102(a)(3)(A)(ii)(I) of the CARES Act.

A. SELF-CERTIFICATION DECLARATION

To qualify for PUA, you must be unemployed, partially unemployed, or unable or unavailable to work because of one or more of the COVID-19 reasons listed below. Please check all of the following categories that apply to you for the week you are claiming.

- I have been diagnosed with COVID-19 or am experiencing symptoms of COVID-19 and am seeking a medical diagnosis.
- A member of my household has been diagnosed with COVID-19.
- I am providing care for a family member or a member of my household who has been diagnosed with COVID-19.
- A child or other person in my household for which I am the primary caregiver is unable to attend school or another facility that is closed as a direct result of the COVID-19 public health emergency and such school or facility care is required for me to work.
- I am unable to reach my place of employment because of a quarantine imposed as a direct result of the COVID-19 public health emergency.
- I am unable to reach my place of employment because I have been advised by a health care provider to self-quarantine due to concerns related to COVID-19.
- I was scheduled to commence employment and do not have a job or am unable to reach the job as a direct result of the COVID-19 public health emergency.
- I have become the breadwinner or major support for my household because the head of the household has died as a direct result of COVID-19.
- I quit my job as a direct result of COVID-19.
- My place of employment is closed as a direct result of the COVID-19 public health emergency.
- I am self-employed (including an independent contractor and gig worker) and experienced a significant reduction of my customary or usual services because of the COVID-19 public health emergency.

- I was denied continued unemployment benefits because I refused to return to work or accept an offer of work at a worksite that, in either instance, is not in compliance with local, state, or national health and safety standards directly related to COVID-19. This includes but is not limited to, those related to facial mask wearing, physical distancing measures, or the provision of personal protective equipment consistent with public health guidelines.
- I provide services to an educational institution or educational service agency and am unemployed or partially unemployed because of volatility in the work schedule that is directly caused by the COVID-19 public health emergency. This includes, but is not limited to, changes in schedules and partial closures.
- I am an employee and my hours have been reduced or I was laid off as a direct result of the COVID-19 public health emergency.
- None of the above apply to me.

B. ACKNOWLEDGEMENT

CERTIFICATION: I certify that the information I have provided above, which will be used to determine my eligibility for Pandemic Unemployment Assistance, is correct to the best of my knowledge. **I understand that I am subject to administrative penalties, including the penalties for perjury, or legal action if it is determined that I withheld or provided false information to obtain assistance payments to which I am not entitled.**

SIGNATURE OF APPLICANT:

DATE (Month/
Day/Year):

PUA Eligibility for Certain Individuals Providing Services to Educational Institutions or Educational Service Agencies

As part of the state’s assessment on whether an individual providing services to an educational institution or educational service agency is eligible for regular UC (or PEUC or EB), the state will determine if the individual is claiming a week that occurs between or within terms and, if so, whether the individual has a contract or reasonable assurance to return in the subsequent year or term. See UIPL Nos. 10-20, Change 1, and 05-17 for more information. If the individual qualifies for regular UC (or PEUC or EB), they may not receive PUA. This includes individuals who are subject to the “between and within terms” denial provisions but are eligible for regular UC (or PEUC or EB) with the use of non-educational wages only.

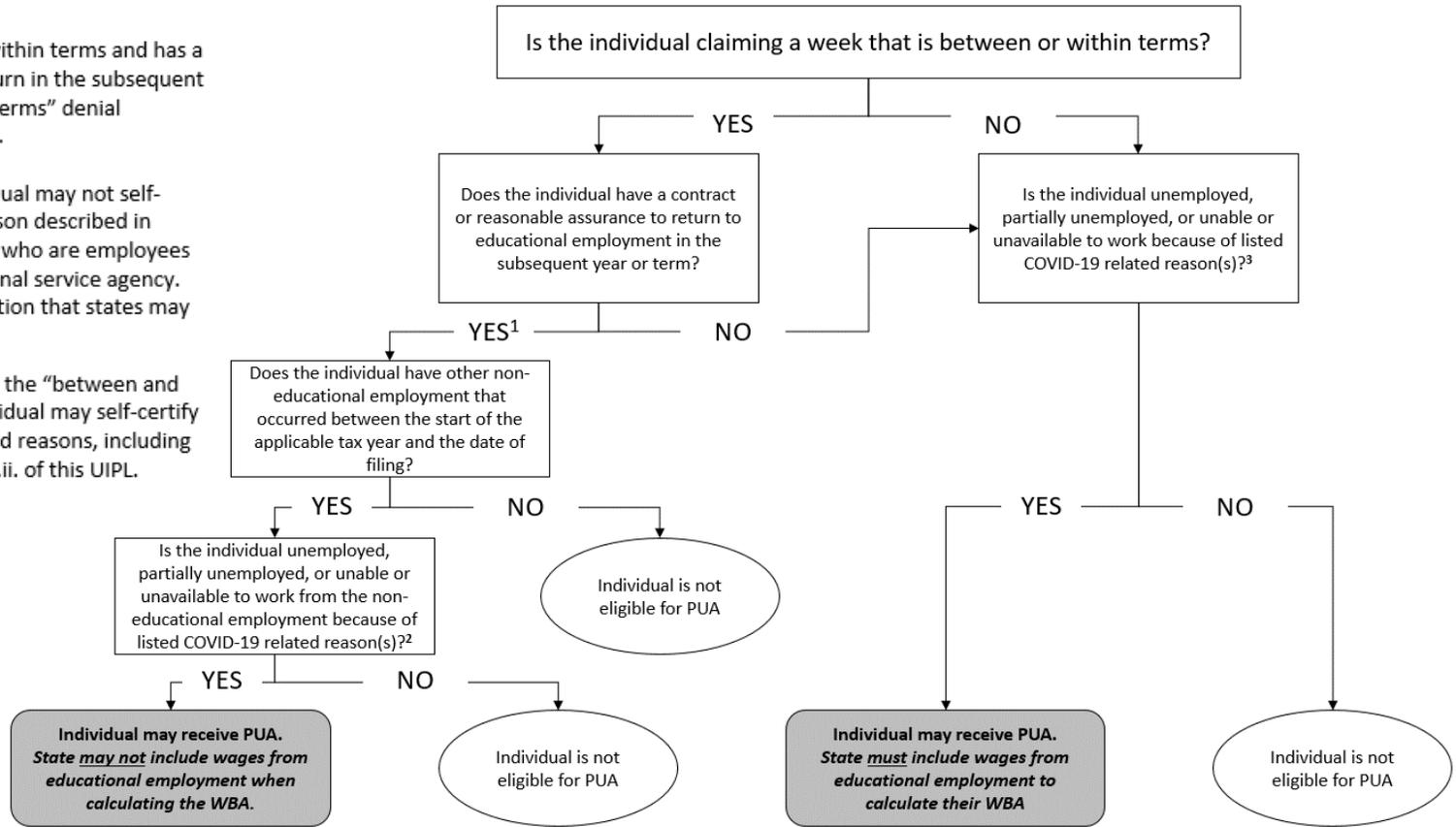
This chart describes an individual’s potential eligibility for PUA after the state has already determined that the individual is not eligible for regular UC (or PEUC or EB) or that the individual has exhausted such benefits.

Footnotes for Chart

¹ Because the individual is between or within terms and has a contract or reasonable assurance to return in the subsequent year or term, the “between and within terms” denial provision also applies to their PUA claim.

² Under these circumstances, the individual may not self-certify to the new COVID-19 related reason described in Section 4.a.ii. of this UIPL for individuals who are employees of an educational institution or educational service agency. Refer to Section 4.c.ii. of this UIPL for action that states may take to monitor program integrity.

³ Because the individual is not subject to the “between and within terms” denial provision, the individual may self-certify to any of the applicable COVID-19 related reasons, including the new reason described in Section 4.a.ii. of this UIPL.



II-1

Instructions for Completing the SF-424

Application for Federal Assistance (SF-424)

Use the current version of the form for submission. Expired forms will not be accepted. SF-424, Expiration Date 12/31/2022, Office of Management and Budget (OMB) Control No. 4040-0004 (Grants.gov). <http://www.grants.gov/web/grants/forms/sf-424-family.html>

Section # 8, APPLICANT INFORMATION:

- Legal Name: The legal name must match the name submitted with the System for Award Management (SAM). Please refer to instructions at <https://www.sam.gov/SAM/>.
- Employer/Tax Identification Number (EIN/TIN): Input your correct 9-digit EIN and ensure that it is recorded within SAM.
- Organizational DUNS: All applicants for Federal grant and funding opportunities are required to have a 9-digit Data Universal Numbering System (D-U-N-S®) number, and must supply their D-U-N-S® number on the SF-424. Please ensure that your state is registered with the SAM. Instructions for registering with SAM can be found at <https://www.sam.gov>. Additionally, the state must maintain an active SAM registration with current information at all times during which it has an active Federal award or an application under consideration. To remain registered in the SAM database after the initial registration, there is a requirement to review and update the registration at least every 12 months from the date of initial registration or subsequently update the information in the SAM database to ensure it is current, accurate, and complete. Failure to register with SAM and maintain an active account will result in a rejection of your submission.
- Address: Input your complete address including Zipcode+4; Example: 20210-0001. For lookup, use link at <https://tools.usps.com/go/ZipLookupAction!input.action>.
- Organizational Unit: Input appropriate Department Name and Division Name, if applicable.
- Name and contact information of person to be contacted on matters involving this application: Provide complete and accurate contact information including telephone number and email address for the point of contact.

Section # 9, Type of Applicant 1: Select Applicant Type: Input “State Government”

Section # 10, Name of the Federal Agency: Input “Employment and Training Administration”

Section # 11, Catalog of Federal Domestic Assistance Number: Input “17.225”; CFDA Title: Input “Unemployment Insurance”

Section # 12, Funding Opportunity Number and Title:

For Pandemic Unemployment Assistance Funding Allotment:
Input “UIPL No. 16-20, Change 5, Pandemic Unemployment Assistance Implementation Grants”

Section # 13, Competition Identification Number: Leave Blank

Section # 14, Areas Affected by Project: Input the place of performance for the project implementation; Example “NY” for New York

Section # 15, Descriptive Title of Applicant’s Project:

For Pandemic Unemployment Assistance Funding Allotment:
Input “UIPL No. 16-20, Change 5, Pandemic Unemployment Assistance Implementation Grants”

Section # 16, Congressional Districts of:

- a. Applicant: Input the Congressional District of your home office. For lookup, use link at www.house.gov with Zip code + 4
- b. Program/Project: Input the Congressional District where the project work is performed. If it’s the same place as your home office, input the congressional district for your home office. For lookup, use link at www.house.gov with Zipcode+4

Section # 17, Proposed Project

- a. Start Date: Input a valid start date for the project (earliest start date will be January 1, 2021)
- b. End Date: Input a valid end date for the project (June 30, 2022)

Section # 18, Estimated Funding (\$):

Each state is allotted up to \$100,000 in funding to cover implementation costs

Section #s 19 – 20: Complete as per instructions for Form SF-424

Section # 21, Authorized Representative: Please select the “I AGREE” check box and provide complete information for your authorized signatory including contact information such as telephone number and email address. If your Authorized Representative has changed from your previous application submission for this program, please include a letter from a higher level leadership authorizing the new signatory for the application submission

Remember to get the SF-424 signed and dated by the Authorized representative.

APPENDIX B

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Unemployment Insurance
	CORRESPONDENCE SYMBOL OUI/DUIO
	DATE April 5, 2020

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 16-20

TO: STATE WORKFORCE AGENCIES

FROM: JOHN PALLASCH S
Assistant Secretary

SUBJECT: Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Pandemic Unemployment Assistance (PUA) Program Operating, Financial, and Reporting Instructions

1. **Purpose.** To provide states with operating, financial, and reporting instructions for the PUA program authorized by Section 2102 of the CARES Act of 2020, Public Law (Pub. L.) 116-136.
2. **Action Requested.** The U.S. Department of Labor’s (Department) Employment and Training Administration (ETA) requests that State Workforce Administrators provide the information in this Unemployment Insurance Program Letter (UIPL) and all attachments to appropriate program and other staff in state workforce systems as they implement the Unemployment Insurance (UI)-related provisions in the CARES Act that respond to the economic effects of the Coronavirus Disease 2019 (COVID-19).
3. **Summary and Background.**
 - a. Summary – On March 27, 2020, President signed into law the CARES Act, which includes the Relief for Workers Affected by Coronavirus Act set out in Title II, Subtitle A. Section 2102 of the CARES Act creates a new temporary federal program called Pandemic Unemployment Assistance (PUA) that in general provides up to 39 weeks of unemployment benefits, and provides funding to states for the administration of the program. Individuals receiving PUA benefits may also receive the \$600 weekly benefit amount (WBA) under the Federal Pandemic Unemployment Compensation (FPUC) program if they are eligible for such compensation for the week claimed.
 - b. Background – The CARES Act was designed to mitigate the economic effects of the COVID-19 pandemic in a variety of ways. The CARES Act includes a provision of temporary benefits for individuals who have exhausted their entitlement to regular unemployment compensation (UC) as well as coverage for individuals who are not

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eligible for regular UC (such as individuals who are self-employed or who have limited recent work history). These individuals may also include certain gig economy workers, clergy and those working for religious organizations who are not covered by regular unemployment compensation, and other workers who may not be covered by the regular UC program under some state laws.

Importance of Program Integrity. The programs and provisions in the CARES Act operate in tandem with the fundamental eligibility requirements of the Federal-State UI program must be adhered to. In addition, some of the CARES Act programs include new eligibility requirements which states will need to apply. These requirements include that individuals are only entitled to benefits if they are no longer working through no fault of their own and that individuals must be able and available to work.

States play a fundamental role in ensuring the integrity of the UI program. While states have been provided some flexibilities as a result of COVID-19, those flexibilities are generally limited to dealing with the effects of COVID-19, as discussed in UIPL Nos. 10-20 and 13-20. States must ensure that individuals only receive benefits in accordance with these statutory provisions.

Further, quitting work without good cause to obtain UI benefits is fraud under PUA. Specifically related to PUA, 20 C.F.R. 625.14 governs overpayments and disqualifications for fraud. States are expected to enforce this provision.

The Department is actively working with states receiving funding under the CARES Act to provide UI benefits only to individuals who are entitled to such benefits. The Department will also be actively engaged with its Office of the Inspector General (OIG) to ensure program integrity. The CARES Act includes an appropriation of \$26 million to the Department's OIG (Section 2115) to carry out audits, investigations, and other oversight activities related to states' adherence to existing UI laws and policies, as well as the provisions of the CARES Act.

4. **Guidance.** An overview of key information about the PUA program is provided below.

a. **Program overview.**

PUA provides benefits to covered individuals, who are those individuals not eligible for regular unemployment compensation or extended benefits under state or Federal law or pandemic emergency unemployment compensation (PEUC), including those who have exhausted all rights to such benefits. Covered individuals also include self-employed, those seeking part-time employment, individuals lacking sufficient work history, and those who otherwise do not qualify for regular unemployment compensation or extended benefits under state or Federal law or PEUC.

PUA is also generally not payable to individuals who have the ability to telework with pay or who are receiving paid sick leave or other paid leave benefits. However, individuals receiving paid sick leave or other paid leave benefits for less than their customary work week may still be eligible for PUA. The state must treat any paid sick leave or paid leave received by a claimant in accordance with the income restrictions set out in Disaster Unemployment Assistance (DUA) at 20 C.F.R. 625.13. Similarly, if an individual has been offered the option of teleworking with pay and does, but works less than the individual worked prior to the COVID-19 pandemic, income from such work must be treated in accordance with the income restrictions set out in DUA at 20 C.F.R. 625.13.

In general, PUA provides up to 39 weeks of benefits to qualifying individuals who are otherwise able to work and available for work within the meaning of applicable state UC law, except that they are unemployed, partially unemployed, or unable or unavailable to work due to one of the COVID-19 related reasons identified in Section 2102(a)(3)(A)(ii)(I) of the CARES Act and listed below:

- The individual has been diagnosed with COVID-19 or is experiencing symptoms of COVID-19 and is seeking a medical diagnosis;
- A member of the individual's household has been diagnosed with COVID-19;
- The individual is providing care for a family member or a member of the individual's household who has been diagnosed with COVID-19;
- A child or other person in the household for which the individual has primary caregiving responsibility is unable to attend school or another facility that is closed as a direct result of the COVID-19 public health emergency and such school or facility care is required for the individual to work;
- The individual is unable to reach the place of employment because of a quarantine imposed as a direct result of the COVID-19 public health emergency;
- The individual is unable to reach the place of employment because the individual has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
- The individual was scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of the COVID-19 public health emergency;
- The individual has become the breadwinner or major support for a household because the head of the household has died as a direct result of COVID-19;
- The individual has to quit his or her job as a direct result of COVID-19; or
- The individual's place of employment is closed as a direct result of the COVID-19 public health emergency.

For purposes of determining eligibility for PUA, regular UC includes state UC, Unemployment Compensation for Federal Employees (UCFE), Unemployment Compensation for Ex-servicemembers (UCX), Trade Readjustment Allowances (TRA), DUA, Short-Time Compensation (STC), and payments under the Self-Employment Assistance (SEA) programs. 20 C.F.R. 625.2(d)(1). Extended benefits mean compensation provided under the provisions of the Federal-State Extended

Unemployment Compensation Act of 1970. 20 C.F.R. 625.2(d)(3). See UIPL No. 14-20 for additional information regarding coordination across programs. PUA is not payable in conjunction with state additional compensation.

The PUA WBA is equal to the WBA authorized under state UC law where the individual was employed. In no case will the amount be less than the minimum WBA described in 20 C.F.R. 625.6. For individuals without reported wages sufficient to establish a WBA, the WBA will be calculated according to processes for DUA benefits set out in 20 C.F.R. 625.6.

For weeks of unemployment beginning on or after March 27, 2020, and ending on or before July 31, 2020, individuals eligible to receive PUA are also eligible to receive FPUC, authorized under section 2104 of the CARES Act. FPUC provides an additional \$600 per week. See UIPL No. 15-20 for additional information.

The duration of PUA benefits is generally limited to 39 weeks, minus any weeks of regular UC and Extended Benefits (EB) the individual received. The weeks for which an individual collected PEUC may not be deducted from the individual's PUA entitlement.

- b. **Relationship between PUA and DUA.** Section 2102(h) of the CARES Act provides that regulations at 20 C.F.R. Part 625 shall apply to the PUA program “except as otherwise provided in this section or to the extent there is a conflict” between section 2102 and 20 C.F.R. Part 625. These regulations “shall apply to this section as if (1) the term ‘COVID-19 public health emergency’ were substituted for the term ‘major disaster’ each place it appears in such 20 C.F.R. Part 625; and (2) the term ‘pandemic’ were substituted for the term ‘disaster’ each place it appears in 20 C.F.R. Part 625.”

Like DUA, the PUA program is an emergency program activated in response to a crisis and designed to provide benefits to certain individuals who are ineligible for or who have exhausted entitlement to regular unemployment compensation or extended benefits. Like DUA, PUA has a defined assistance period, and a set minimum WBA which is determined based on each state's WBA. In addition, PUA benefits and the cost of its administration are federally funded. To the extent possible, the PUA program should be administered using the same initial application, weekly certifications, adjudication, and appeal procedures utilized by the state for the DUA program. If an individual is eligible for DUA with respect to a week of unemployment, he or she is not eligible to receive PUA for that week.

- c. **Important program dates.** PUA is payable for weeks of unemployment, partial unemployment, or inability to work caused by the COVID-19 related reasons listed above beginning on or after January 27, 2020. For states where the week of unemployment ends on a Saturday, the first week for which PUA may be paid is the week ending February 8, 2020. In states where the week of unemployment ends on a Sunday, the first week for which PUA may be paid is the week ending February 9, 2020.

PUA is not payable for any week of unemployment ending after December 31, 2020. Accordingly, in states where the week of unemployment ends on a Saturday, the last

week that PUA may be paid is the week ending December 26, 2020. For states where the week of unemployment ends on a Sunday, the last week that PUA is payable is the week ending December 27, 2020.

- d. **Program administration.** The cost of PUA benefits is 100% federally funded. Implementation costs and ongoing administrative costs are also 100% federally funded.

The PUA program is administered through a voluntary agreement between states and the Department. The program is available in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, provided the state/territory signs an agreement with the Department.

States that have entered into an agreement with the Secretary of Labor (Secretary) to operate a PUA program may enter into agreements to operate the PUA program on behalf of other states that have also entered into agreements with the Secretary.

- e. **PUA Implementation Costs Reimbursement for One Time/Additional Administrative Costs.** Section 2102(f) provides for the payment of all additional administrative expenses, as determined by the Secretary, incurred by the states to implement and operate the PUA program. To aid in the determination of the necessity of additional administrative expenses to implement the program, states requesting payments of such costs are required to submit Supplemental Budget Requests (SBRs) detailing the program startup costs. These SBRs must be limited to one-time costs that are attributable to implementation of the PUA program.

Examples of permissible implementation costs include:

- Computer programming and other technology costs;
- Implementation of necessary business processes required for program implementation;
- Training and travel;
- Notices to beneficiaries; and/or
- Overhead related only to the above.

The estimated cost basis for all items must be included in the SBR Application. Calculations for costs of state staff and contractors must be shown in accordance with the SBR instructions in ET Handbook No. 336. For application submission instructions refer to Attachment IV, Supplemental Budget Request Application; and Attachment V, Instructions for Completing the SF424 and SF424A.

ETA requires a state to submit its PUA implementation SBR Application along with required SF424 and SF424A forms. ETA encourages states to submit these forms by April 30, 2020, by electronic submission to the National Office at covid-19@dol.gov with a copy to the appropriate Regional Office.

State agencies will receive reimbursement for on-going workload costs through the new ETA902P report. More specific information is included in Attachment I, Section E, and “Reporting Instructions.”

- f. **Additional Guidance and Instructions.** Additional guidance and instructions on implementing and operating the PUA program are provided in the attachments to this UIPL. Attachment I of this UIPL provides states with the implementation and operating instructions, including definitions, administrative requirements, financial information, and reporting information. Attachment II provides the general provisions concerning conditions and assurances for PUA. Attachment III provides the statutory language in Section 2102 of the CARES Act creating PUA. Attachment IV is the SBR Application template. Attachment V is the Instructions for completing the Standard Form (SF) 424 and SF 424A.
- g. **Inquiries.** We encourage states to contact the Department for technical assistance. Please direct inquiries to covid-19@dol.gov, with a copy to the appropriate Regional Office.
- h. **References.**
- Coronavirus Aid, Relief, and Economic Security (CARES) Act (Pub. L. 116-136), Title II, Subtitle A – Relief for Workers Affected by Coronavirus Act;
 - Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note);
 - 20 C.F.R. Part 625 – Disaster Unemployment Assistance;
 - Unemployment Insurance Program Letter (UIPL) No. 10-20, *Unemployment Compensation (UC) for Individuals Affected by the Coronavirus Disease 2019 (COVID-19)*, issued March 12, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=8893;
 - UIPL No. 14-20, *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 – Summary of Key Unemployment Insurance (UI) Provisions and Guidance Regarding Temporary Emergency State Staffing Flexibility*, issued on April 2, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3390;
 - UIPL No. 15-20, *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020—Federal Pandemic Unemployment Compensation (FPUC) Program Operating, Financial, and Reporting Instructions*, issued on April 4, 2020, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=9297;
 - ETA Handbook No. 356 *Disaster Unemployment Assistance*, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2124; and
 - ET Handbook No. 401, *UI Report Handbook*, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=7774.
- i. **Attachment(s).**
- Attachment I: Pandemic Unemployment Assistance (PUA) Implementation and Operating Instructions

- Attachment II: General Provisions for Administering the Pandemic Unemployment Assistance (PUA) Program
- Attachment III: Statutory Language of Section 2102 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020
- Attachment IV: Supplemental Budget Request Application
- Attachment V: Instructions for Completing the SF424 and SF424A
- Attachment VI: Handbook No. 401 Reporting Instructions for ETA 902-Pandemic Unemployment Assistance

Pandemic Unemployment Assistance (PUA) Implementation and Operating Instructions

A. Introduction:

On March 27, 2020, the President signed Public Law (Pub. L.) 116-136, the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020. Section 2102 creates a new federal program called Pandemic Unemployment Assistance (PUA) and provides funding to states for the administration of the program. The PUA program generally allows states that enter into an agreement with the Secretary of Labor to pay up to 39 weeks of benefits to individuals who are not eligible to receive or who have exhausted regular unemployment compensation (UC), Extended Benefits (EB), and Pandemic Emergency Unemployment Compensation (PEUC) under Section 2107, and who otherwise meet the eligibility requirements of the CARES Act. The costs of the new federal benefit and of program administration are 100% federally funded. This guidance explains the eligibility requirements and other administrative functions associated with the program.

B. Definitions:

This section contains the definitions of terms used throughout this document, using definitions in 20 C.F.R. 625.2 and in section 205 of the Federal-State Extended Unemployment Compensation Program (hereafter called the Federal-State EB Law). References to 5 U.S.C. chapter 85 relate to Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Servicemembers (UCX).

1. “Act” means Coronavirus Aid, Relief, and Economic Security (CARES) Act (Pub. L. 116-136), including Title II Subtitle A, The Relief for Workers Affected by Coronavirus Act.
2. “Additional compensation” means compensation totally financed by a state and payable under a state law by reason of conditions of high unemployment or by reason of other special factors, and when so payable, includes compensation payable pursuant to 5 U.S.C. chapter 85.
3. “Agreement” means the agreement between a state and the U.S. Department of Labor (Department) to administer the PUA Program. Under the agreement, the state agency makes payments of PUA as the Department’s agent. PUA payments must be made in accordance with the Act as interpreted by the Department in these instructions and any other instructions issued by the Department.
4. “Applicable state” means, with respect to an individual, the state from which the individual is receiving compensation.
5. “Applicable state law” means the unemployment compensation law of the applicable state for an individual.
6. “Benefit year” means, with respect to an individual, the benefit year as defined in the applicable state law.
7. “Compensation” shall have the meaning provided in 20 C.F.R. 265.2(d).
8. “COVID-19” means the 2019 Novel Coronavirus or 2019-nCoV.

9. "COVID-19 Public Health Emergency" means the public health emergency declared by the Secretary of Health and Human Services on January 27, 2020, with respect to the 2019 Novel Coronavirus.
10. "Covered Individual" means an individual who is not eligible for regular compensation or extended benefits under State or Federal law or pandemic emergency unemployment compensation under section 2107 of the Act, including an individual who has exhausted all rights to regular unemployment or extended benefits under State or Federal law or pandemic emergency unemployment compensation under section 2107; and provides self-certification that the individual meets the requirements in Section C.1, below.
11. "Department" means the U.S. Department of Labor.
12. "Extended compensation" means compensation payable to an individual for weeks of unemployment in an extended benefit period, under those provisions of the state law which satisfy the requirements of the Federal-State Extended Unemployment Compensation Act of 1970 (Pub. L. 91-373), and when so payable includes additional compensation and compensation payable pursuant to 5 U.S.C. chapter 85. Extended compensation is referred to as Extended Benefits or EB.
13. "Federal Pandemic Unemployment Compensation" means the compensation payable under section 2104 of the Act and is referred to as FPUC.
14. "Pandemic Unemployment Assistance" means the compensation payable under section 2102 of the Act and is referred to as PUA.
15. "Pandemic Emergency Unemployment Compensation" means compensation payable under section 2107 of the Act and is referred to as PEUC.
16. "Regular compensation" means compensation payable to an individual under any state law or the unemployment compensation plan of a political subdivision of a state and, when so payable, includes compensation payable pursuant to 5 U.S.C. chapter 85 (parts 609 and 614 of this chapter), but not including extended compensation or additional compensation.
17. "Secretary" means the U.S. Secretary of Labor.
18. "State" means the states of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.
19. "State agency" means the agency of the state which administers its state law and, for Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau it means the agency designated in the Agreements entered into with the Department.
20. "State law" means the unemployment compensation law of a state, approved by the Secretary under Section 3304 of the Federal Unemployment Tax Act (FUTA). (26 U.S.C. § 3304(a)).
21. "Week" means a week as defined in the applicable state law.
22. "Week of unemployment" is defined as used in 20 C.F.R. 265.2(w).

Note: Except as otherwise provided in Section 2102 of the Act or to the extent there is a conflict between Section 2102 and 20 C.F.R. Part 625, 20 C.F.R. Part 625 shall apply to Section 2102 as if the term "COVID-19 public health emergency" were substituted for the

term “major disaster” each place it appears in 20 C.F.R. Part 625 and the term “pandemic” were substituted for the term “disaster” each place it appears in 20 C.F.R. Part 625.

C. Operating Instructions:

1. Eligibility.

Section 2102 of the Act provides for payment of PUA to “covered individuals”. “Covered individuals” are those individuals not qualified for regular unemployment compensation, extended benefits under state or Federal law, or pandemic emergency unemployment compensation (PEUC), including those who have exhausted all rights to such benefits. “Covered individuals” also include self-employed, individuals seeking part-time employment, individuals lacking sufficient work history, or those otherwise not qualified for regular UC, extended benefits under state or federal law, or PEUC.

For purposes of PUA coverage, an individual “lacking sufficient work history” means an individual (1) with a recent attachment to the labor force (2) who does not have sufficient wages in covered employment during the last 18 months to establish a claim under regular UC, and (3) who became unemployed or partially unemployed because of one of the COVID-19 related reasons identified under Section 2102. Demonstration of a recent attachment to the labor force for PUA coverage purposes also includes individuals who had a bona fide offer to start working on a specific date and were unable to start due to one of the COVID-19 related reasons identified under Section 2102.

“Self-employed individuals” as defined in 20 C.F.R 625.2(n) means individuals whose primary reliance for income is on the performance of services in the individual’s own business, or on the individual’s own farm. These individuals include independent contractors, gig economy workers, and workers for certain religious entities.

PUA is generally not payable to individuals who have the ability to telework with pay, or who are receiving paid sick leave or other paid leave benefits. However, an individual receiving paid sick leave or other paid leave benefits for less than his or her customary work week may still be eligible for a reduced PUA WBA. The state must treat any paid sick leave or paid leave received by a claimant in accordance with the income restrictions set out in DUA at 20 C.F.R. 625.13, if the pay or paid leave exceeds the PUA WBA. Similarly, if an individual has been offered the option of teleworking with pay and does telework with pay, but is working less than the individual customarily worked prior to the COVID 19 pandemic, the individual may be eligible for a reduced PUA WBA. Income from such work would be treated in accordance with the income restrictions set out in DUA at 20 C.F.R. 625.13.

To be a “covered individual” under PUA, an individual must also self-certify that he or she is otherwise able to work and available for work, as provided under state law, except that the individual is unemployed, partially unemployed, unable to work or unavailable for work due to at least one of the following categories described below. Included for each of the categories are illustrative examples and explanations of circumstances that fall

under each category. These examples and explanations for each of the categories are not an exhaustive list of all COVID-19 related circumstances that may qualify an individual for PUA benefits, however, should other qualifying circumstances be used they must be identified and applied in a manner consistent with the examples below.

- a) The individual has been diagnosed with COVID-19 or is experiencing symptoms of COVID-19 and is seeking a medical diagnosis. Examples may include:
- An individual who has to quit his or her job as a direct result of COVID-19 because the individual has tested positive for the coronavirus or has been diagnosed with COVID-19 by a qualified medical professional, and continuing work activities, such as through telework, is not possible by virtue of such diagnosis or condition;
 - An individual who has to quit his or her job due to coming in direct contact with someone who has tested positive for the coronavirus or has been diagnosed by a medical professional as having COVID-19, and, on the advice of a qualified medical health professional is required to resign from his or her position in order to quarantine.
- b) A member of the individual's household has been diagnosed with COVID-19. For example:
- A member of the individual's household has been diagnosed as having COVID-19 by a qualified medical professional or a member of the individual's household has tested positive for COVID-19 and the individual is unable to work as a result.
- c) The individual is providing care for a family member or a member of the individual's household who has been diagnosed with COVID-19. For example:
- An individual is "providing care" for a family member or a member of the individual's household if the provision of care requires such ongoing and constant attention that the individual's ability to perform other work functions is severely limited. An individual who is assisting a family member who is able to adequately care for him or herself is not "providing care" under this category.
- d) A child or other person in the household for which the individual has primary caregiving responsibility is unable to attend school or another facility that is closed as a direct result of the COVID-19 public health emergency and such school or facility care is required for the individual to work. For example:
- An individual has "primary caregiving responsibility" for a child or other person in the household if he or she is required to remain at home to care for the child or other person.
 - This includes an individual whose job allows for telework, but for whom the provision of care to the child or other person with a closed school or other

facility requires such ongoing and constant attention that it is not possible for the individual to perform work at home.

- e) The individual is unable to reach the place of employment because of a quarantine imposed as a direct result of the COVID-19 public health emergency. For example:
- An individual who is unable to reach his or her place of employment because doing so would require the violation of a state or municipal order restricting travel that was instituted to combat the spread of COVID-19.
- f) The individual is unable to reach the place of employment because the individual has been advised by a health care provider to self-quarantine due to concerns related to COVID-19. Examples include:
- An individual who has been advised by a qualified medical professional that he or she may be infected with the coronavirus and that he or she therefore should self-quarantine. For example, an individual had direct contact with another person who has tested positive for the coronavirus or been diagnosed with COVID-19 by a qualified medical professional, and is advised by a health care provider to self-quarantine to prevent further possible spread of the virus. Such circumstances would render the individual unable to reach his or her place of employment.
 - An individual whose immune system is compromised by virtue of a serious health condition and is therefore advised by a health care provider to self-quarantine in order to avoid the greater-than-average health risks that the individual might face if he or she were to become infected by the coronavirus.
- g) The individual was scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of the COVID-19 public health emergency. For example:
- An individual is unable to reach his or her job because doing so would require the violation of a state or municipal order restricting travel that was instituted to combat the spread of the coronavirus or the employer has closed the place of employment.
 - An individual does not have a job because the employer with whom the individual was scheduled to commence employment has rescinded the job offer as a direct result of the COVID-19 public health emergency.
- h) The individual has become the breadwinner or major support for a household because the head of the household has died as a direct result of COVID-19. For example:
- An individual whose head of household previously contributed the majority of financial support to the household died as a direct result of COVID-19, and the individual is now the person in the household expected to provide such financial support.

- i) The individual has to quit his or her job as a direct result of COVID-19. For example:
- An individual was diagnosed with COVID-19 by a qualified medical professional, and although the individual no longer has COVID-19, the illness caused health complications that render the individual objectively unable to perform his or her essential job functions, with or without a reasonable accommodation.
- j) The individual's place of employment is closed as a direct result of the COVID-19 public health emergency. For example:
- If a business is shut down due to an emergency declaration or due to necessary social distancing protocols, the unemployment of individuals who worked in the business would be considered a direct result of COVID-19.
- k) The individual meets any additional criteria established by the Secretary for unemployment assistance under this section.
- The Secretary has determined that, in addition to individuals who qualify for benefits under the other criteria described above, an individual who works as an independent contractor with reportable income may also qualify for PUA benefits if he or she is unemployed, partially employed, or unable or unavailable to work because the COVID-19 public health emergency has severely limited his or her ability to continue performing his or her customary work activities, and has thereby forced the individual to suspend such activities. For example, a driver for a ridesharing service who receives an IRS Form 1099 from the ride sharing service may not be eligible for PUA benefits under the other criteria outlined above, because such an individual does not have a "place of employment," and thus cannot claim that he or she is unable to work because his or her place of employment has closed. However, under the additional eligibility criterion established by the Secretary here, the driver may still qualify for PUA benefits if he or she has been forced to suspend operations as a direct result of the COVID-19 public health emergency, such as if an emergency state or municipal order restricting movement makes continued operations unsustainable.

States are required to do the following to ensure the efficacy and integrity of the self-certification process:

- Include information on the self-certification form (either paper or on-line), that the claimant completes, including:
 - Separate from the actual certification, an acknowledgement that the claimant understands that making the certification is under penalty of perjury; and
 - Information that advises the claimant that intentional misrepresentation in self-certifying that he or she falls in one or more of these categories is fraud.
- Provide clear messaging on-line that claimants may be subject to criminal prosecution if they are found to have committed fraud.

States are also required to take reasonable and customary precautions to deter and detect fraud, such as, for example, a random audit of a sample of claims to detect fraud.

States should bear in mind that many of the qualifying circumstances described in section 2102(a)(3)(A)(ii)(I) are likely to be of short term duration. For example, an individual who has been advised to self-quarantine by a health care provider because of the individual's exposure to a person who has tested positive for the coronavirus, and is therefore unable to reach his or her place of employment for purposes of 2102(a)(3)(A)(ii)(I)(ff), may be able to return to his or her place of employment within two weeks of the exposure if he or she has not exhibited symptoms of COVID-19 or tested positive for the coronavirus. Similarly, a school is not closed as a direct result of the COVID-19 public health emergency, for purposes of 2102(a)(3)(A)(ii)(I)(dd), after the date the school year was originally scheduled to end. As such, the expectation is that states will continue to apply their able, available, and actively seeking work standards as outlined in state law.

States should also note that, for purposes of section 2102(a)(3)(A)(ii)(I)(ii), an individual does not have to quit his or her job as a direct result of COVID-19 if paid sick leave or other paid leave benefits are available to the individual. Generally, an employee "has to quit" within the meaning of this section only when ceasing employment is an involuntary decision compelled by the circumstances identified in the section.

In general, a determination about whether actions are a "direct result", as explained above, should be made based on 20 C.F.R. 625.5(c). When making a determination under the regulation, states should take into account specific circumstances unique to the COVID-19 public emergency. For example, if a business is shut down due to an emergency declaration or due to necessary social distancing protocols, the unemployment of individuals who worked in the business would be considered a direct result of COVID-19.

Individuals who meet the following criteria are not eligible for PUA:

- a. Individuals who have the ability to telework with pay. When addressing issues about the availability of paid telework, the state must determine whether the claimant has been offered the option of continuing to work for pay by teleworking. If so, and claimants were offered to continue to work the same number of hours, claimants are not eligible for PUA.
- b. Individuals receiving paid sick leave or other paid leave benefits. If claimants receive such leave for their customary work hours, they are not eligible for PUA. The state must treat any paid sick leave or paid leave received by a claimant in accordance with the income restrictions set out in DUA at 20 C.F.R. 625.13.

If the state has further questions in determining whether an individual's qualifying circumstances are a direct result of the COVID-19 public health emergency (as distinguished from circumstances that are a direct result of COVID-19 under the terms of section 2102), the state should refer to 20 C.F.R. 625.5(c).

2. Determining Exhaustees. A PUA claimant ceases to be regular UC, PEUC, and EB exhaustee when he or she can establish a valid new benefit year. If an individual is no longer a regular UC, EB, or PEUC exhaustee, the individual will not meet the definition of a covered individual and may not receive PUA benefits. Therefore, at each quarter change, the state must check to determine if an individual meets the state's requirements to establish a new benefit year. If individuals can establish a new benefit year, they are no longer eligible for PUA. In these cases, the claimants should be advised that they are no longer eligible for PUA and that they may file a regular UC, PEUC or EB claim.
3. Beginning and Ending Dates of the PUA Program. Under Section 2102 of the Act, states may begin making PUA payments after their agreement with the Secretary is signed.

Once the agreement is signed, PUA must be paid starting with weeks of unemployment beginning on or after January 27, 2020, if the individual meets PUA's eligibility requirements. In states where the week of unemployment ends on Saturday, the first week for which PUA may be paid is the week ending February 8, 2020. In states where the week of unemployment ends on Sunday, the first week for which PUA may be paid is the week ending February 9, 2020.

Thus, PUA claims may be backdated to February 2, 2020, the first week of the Pandemic Assistance Period (PAP), if the individual otherwise meets the eligibility requirements to receive PUA as of that date, including the requirement that the individual's unemployment was due to the COVID-19 related reasons listed in section C.1.

States may not make PUA payments with respect to weeks of unemployment ending after December 31, 2020. Thus, in states where weeks of unemployment end on a Saturday, the last compensable week for the PUA program is the week ending December 26, 2020. In states where the week of unemployment ends on Sunday, the last compensable week for the PUA program is the week ending December 27, 2020.

4. State PUA Agreements with the Department. The PUA program is administered through voluntary agreements between states and the Department. The program is available in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, provided the state/territory signs an agreement with the Department.
5. Termination of PUA Agreement. Either party, upon thirty days written notice, may terminate the PUA Agreement. The Department reserves the right to terminate this Agreement if it determines that the State does not have an adequate system for administering such assistance, including because the State is not adequately ensuring that individuals receiving benefits under the PUA Program are eligible for such benefits. In the case of termination, the PUA period will end 30 days after the date one of the parties to the agreement notifies the other party of its election to terminate the PUA agreement. No PUA payments may be made with respect to weeks which begin after the date the

termination of the agreement is effective. However, PUA is payable for weeks of unemployment ending on or before such termination date.

6. Agreements between States. One state that has entered into an agreement with the Department to operate a PUA program may choose to enter into an agreement with another state that has an agreement with the Department to operate the program on behalf of the other state.
7. Processing PUA Claims.
 - a. Applicability of State Law Provisions. Under Section 2102(h) of the Act, 20 C.F.R. Part 625 applies to the administration of this program except as otherwise provided in Section 2102. Consistent with 20 C.F.R 625.11, the terms and conditions of the state law of the applicable state for an individual which apply to claims for, and the payment of, regular compensation apply to the payment of PUA to individuals. The provisions of the applicable state law that apply to claims for PUA include, but are not limited to:
 - Claim Filing and Reporting;
 - Information and Due Process to individuals;
 - Notices to individuals and employers, as appropriate, including notice to each individual of each determination and redetermination of eligibility for or entitlement to PEUC;
 - Determinations, redeterminations, appeals, and hearings;
 - Disqualification, including disqualifying income provisions;
 - Ability to work and availability for work, absent a COVID-19 related circumstance listed above;
 - The Interstate Benefit Payment Plan; and
 - The Interstate Arrangement for Combining Employment and Wages.
 - b. Claims for PUA. In processing claims for PUA, states must verify that individuals have no regular UI entitlement. If the individual is not eligible for regular UI because there are insufficient covered wages or the individual has an active UI claim with a definite or indefinite disqualification, then a state does not need to require the individual to file a regular UI initial claim. However, the state must have an established process whereby the individual's ineligibility for regular UI is documented on the application.
 - c. If the individual's eligibility for regular UI is questionable (for example, there are wages in the base period but no claim is filed, or a job separation that has not been adjudicated), then the state must first require the individual to file a regular UI initial claim. If the individual is subsequently disqualified, then the state may consider the individual for PUA eligibility.
8. Establishment of the Effective Date of PUA claims. The Pandemic Assistance Period (PAP) begins February 2, 2020 (the first week following the beginning date provided

by the CARES Act) and ends on December 26, 2020 (the last week provided by the CARES Act, in states where weeks of unemployment end on a Saturday) or December 27, 2020 (the last week provided by the CARES Act, in states where weeks of unemployment end on a Sunday).

PUA claims are effective the week filed. However, they must be backdated to the first week during the PAP in which the individual meets the definition of a covered individual.

9. Establishment of PUA Weekly Benefit Amount. Section 2102(d) of the Act requires the state to pay individuals the WBA under the UC law of the state where the covered individual was employed plus the \$600 FPUC payment. The minimum WBA may not be less than the minimum WBA in 20 C.F.R. 625.6 before the amount of FPUC under Section 2104 of the Act is added.

If an individual is self-employed or would not otherwise qualify for UC under a state's law, the individual's PUA WBA is calculated as provided in 20 C.F.R. 625.6 and is increased by the \$600 FPUC payment. If a self-employed individual or an individual who is "lacking sufficient work history" had earnings for the prior tax year that would result in a lower WBA than the minimum DUA WBA that is outlined in the quarterly UIPL for the Minimum DUA benefit, the individual's WBA must be the minimum amount listed in the quarterly UIPL. Since the PAP began on February 2, 2020, the state's minimum PUA WBA for the period February 2, 2020, through March 31, 2020, will be calculated based on UIPL No. 3-20. If an individual lives in a territory that does not provide unemployment compensation under its law, the individual's PUA WBA is calculated as provided in 20 C.F.R. 625.6.

10. Establishment of PUA Maximum Entitlement (Number of weeks of PUA). The total number of weeks in which a covered individual may receive PUA may not exceed 39 weeks and such total must include any week for which a covered individual received regular compensation or extended benefits under any state or federal law.

Section 2102 of the Act provides that if extended benefits duration is extended after March 27, 2020, the 39-week period shall be extended by the number of weeks that is equal to the number of weeks by which the extended benefits were extended. Thus, if a state enters a "high unemployment period," as provided in section 202(b)(3)(B) of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note), up to an additional 7 weeks of benefits for a total of 46 weeks of PUA benefits would be available to eligible individuals. However, note that PUA entitlement must be reduced by the amount of regular compensation and extended benefits the individual received.

11. Other PUA Operational Instructions.

- a. Total Unemployment. The WBA payable to an individual for a week of total unemployment is equal to the individual's most recent WBA (including any dependents' allowances) for the applicable PAP.

- b. Partial and Part-Total Unemployment. To determine the amount payable for a week of partial or part-total unemployment, the state will calculate the payment amount in accordance with the state law applicable to such a week of unemployment.
 - c. The terms and conditions of the state law which apply to claims for regular compensation and extended benefits and the payment thereof shall apply to claims for PUA and the payment thereof except as provided in these operating instructions and any additional guidance issued regarding the PUA program.
12. Secretary's Standard. The procedures for reporting and filing claims for PUA must be consistent with these instructions and the Secretary's "Standard for Claim Filing, Claimant Reporting, Job Finding and Employment Services" (Employment Security Manual, Part V, sections 5000 et. seq.).
13. Determination of Entitlement: Notices to Individuals.
- a. Determination of Initial Claim. When an individual files an initial claim for PUA the state agency must determine promptly the eligibility of the individual and, if eligible, the weekly and maximum amounts of PUA payable. If denied PUA, the individual must be issued an appealable determination.
 - b. Determination of Weekly Claims. The state agency must promptly, upon the filing of a claim for a payment of PUA for a week of unemployment, determine whether the individual is entitled to a payment of PUA for such week, and, if entitled, the amount of PUA to which the individual is entitled to and issue a prompt payment.
 - c. Redetermination. An individual filing a PUA initial claim or weekly certification has the same rights to request a reconsideration of a determination as are provided for in the applicable state law for regular compensation.
 - d. Notices to Individual. The state agency must give written notice to the individual of any determination or redetermination of an initial claim and all weekly claims. Each notice must include such information regarding rights to reconsideration or appeal, or both, using the same process that is used for redeterminations of regular compensation.
 - e. Promptness. Full payment of PUA when due must be made as soon as administratively feasible.
 - f. Secretary's Determination Standard. The procedures for making determinations and redeterminations and furnishing written notices of determinations, redeterminations, and rights of appeal to individuals claiming PUA must be consistent with the Secretary's "Standard for Claim Determinations—Separation

Information" (Employment Security Manual (ESM), Part V, sections 6010 et seq.). In processing claims, states must comply with section 6013 of the ESM about conducting an investigation and section 6014 of the ESM concerning gathering separation information from employers when the claim involves separation from an employer.

g. Appeal and Hearing.

- Applicable State Law. To ensure that appeals and hearings are held promptly, the applicable state law provisions concerning the right of appeal and fair hearing from a determination or redetermination of entitlement to regular compensation shall apply to determinations and redeterminations of eligibility for or entitlement to PUA.
- Rights of Appeal and Fair Hearing. The right of appeal and opportunity for a fair hearing to claims for PUA must be consistent with these instructions and with sections 303(a)(1) and 303(a)(3) of the Social Security Act (SSA) (42 U.S.C. 503(a)(1) and 503(a)(3)).
- Promptness of Appeals Decisions.
 - Decisions on appeals under the PUA Program must accord with the "Standard for Appeals Promptness—Unemployment compensation" in 20 C.F.R. Part 650.
 - Any applicable state law provision allowing the advancement or priority of unemployment compensation cases on judicial calendars, or otherwise intended to provide for the prompt payment of unemployment compensation when due, must apply to proceedings involving entitlement to PUA.

h. Fraud and Overpayment. The requirements of 20 C.F.R. 625.14 shall apply with respect to PUA overpayments and fraud to the same extent and in the same manner as in the case of DUA.

i. A state may also use other federal UC to recover PUA overpayments made in that state, regardless of whether the state has an agreement under Section 303(g)(2) of the Social Security Act (SSA) (42 U.S.C. §503(g)(2)). This includes FPUC and PEUC.

j. Further, if a state has an Interstate Reciprocal Overpayment Recovery Arrangement in effect with the National Association of State Workforce Agencies, PUA may only be used to offset PUA overpayments for another state. However, a state may use state or other federal UC paid in that state to recover PUA overpayments for other states.

14. Effect of Other UI-Related Programs on Eligibility for PUA.
 - a. Trade Readjustment Allowances (TRA). Individuals are not eligible for TRA until PUA entitlement is exhausted. The provisions of Section 233(d) of the Trade Act of 1974, as amended, (relating to reduction of EB entitlement because of the receipt of TRA in the most recent benefit year) are not applicable to determinations of entitlement to PUA.
 - b. Disaster Unemployment Assistance (DUA). If an individual is eligible for DUA with respect to a week of unemployment under Section 410 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended, (42 U.S.C. 5177) the individual is not eligible to receive PUA for that week.
15. Effect of State Additional Compensation (AC). Section 2102 of the Act and, by reference, DUA regulations at 20 C.F.R. Part 625 require that an individual have no rights to regular compensation, extended benefits, or additional compensation in order to meet the eligibility requirements for PUA.
16. Effect of Federal Pandemic Unemployment Compensation (FPUC). Section 2102 of the Act provides that the \$600 FPUC payments provided under section 2104 of the Act be added to the PUA WBA. Note that the FPUC payment may be made separately from the PUA payment or combined with that payment, and that FPUC payments may only be made with respect to weeks of unemployment ending on or before July 31, 2020.
17. Coordination Rule. Section 2102 of the CARES Act requires, as a condition of PUA eligibility, that an individual not be eligible for regular compensation or extended benefits under state or federal law or pandemic emergency unemployment compensation under Section 2107, or to have exhausted all rights to regular unemployment or extended benefits under state or federal law or pandemic emergency unemployment compensation under Section 2107.
18. Record Maintenance and Disposal of Records. The state must maintain PUA payment data as required by the Department.
 - a. Record Maintenance. Each state will maintain records on the administration of the PUA program and will make all such records available for inspection, examination, and audit by such federal officials, employees as the Department may designate, or as may be required by the law. Reference ET Handbook No. 401, *UI Report Handbook* for details.
 - b. Disposal of Records. The electronic/paper records created in the administration of the PUA program must be maintained by the state for three years after final action (including appeals or court action) on the payments, or for less than the three-year period if copied by micro photocopy or by an electronic imaging method. At the end of the three-year period, the PUA records shall be transferred to state accountability under the conditions for the disposal of records that apply to UCFE and UCX records, as explained in Chapter X of ET Handbook No. 391 (1994

Edition) (OMB No. 1205-0179) and Chapter I of ET Handbook No. 384 (1994 Edition) (OMB No. 1205-0176).

19. Disclosure of Information. Information in records made and maintained by the state agency in administering the PUA program must be kept confidential, and information in such records may be disclosed only in the same manner and to the same extent as information with respect to regular compensation, and the entitlement of individuals thereto, may be disclosed under provisions of the applicable state law meeting the requirements of 20 C.F.R. Part 603. As provided under 20 C.F.R. 603.4(b), the confidentiality requirements do not apply when such information is being provided in the aggregate, provided it cannot be combined with other publicly available information to reveal any such identifying particulars about an individual or the individual's past or present employer.
20. Inviolate Rights to PUA. The rights of individuals to PUA must be protected in the same manner and to the same extent as the rights of persons to regular UC are protected under the applicable state law. Such measures must include protection of individuals from waiver, release, assignment, pledge, encumbrance, levy, execution, attachment, and garnishment of their rights to PUA. In the same manner and to the same extent, individuals must be protected from discrimination and obstruction in regard to seeking, applying for, and receiving PUA.
21. Notifications.
 - a. *Identification and Notification of Potentially Eligible Claimants*. The state must identify individuals who are potentially eligible for PUA and provide them with appropriate written notification of their potential entitlement to PUA, including filing instructions. This includes notifying claimants who were found ineligible for UC as far back as January 27, 2020.
 - b. *Interstate Claims*. PUA is payable to individuals filing under the Interstate Benefit Payment Plan in the same manner and to the same extent that benefits are payable to intrastate claimants. The liable state is responsible for identifying and notifying all potentially eligible interstate claimants of their potential eligibility, including filing instructions.
 - c. *Notification of Media*. To assure public knowledge of the status of the PUA program, the state must notify all appropriate news media having coverage throughout the state of the beginning of the PUA program.

D. Financial Information and Instructions:

1. Payment to States. Requesting PUA Benefit Funds—Under Section 2102(f)(2) of the CARES Act, each state that has entered into an agreement with the Secretary to pay PUA, will be paid an amount equal to 100% of the amount of PUA paid to eligible individuals by the state under the agreement and in full accordance with the CARES Act and these instructions. States will request funds from the Extended Unemployment Compensation Account (EUCA) through the Automated Standard Application for Payments (ASAP)

system. Drawdown requests must adhere to the funding mechanism stipulated in the Treasury-State Agreement executed under the Cash Management Improvement Act of 1990. Requests will be funded in the same manner as all ASAP transactions elected by the states (FEDWIRE or ACH to the state benefit payment account).

There will be one new line in the ASAP for making drawdowns to pay PUA benefits, refer to #3 below for drawdown instructions. The line will be clearly labeled PANDEMIC UNEMPLOYMENT ASSISTANCE (PUA).

Section 2102(f)(2)(B) authorizes the Secretary to determine the amounts to be paid to states for processing PUA workloads. Such costs will be based on workload counts reported on the ETA902P report, and will incorporate minute per unit factors and salary rates identical to those used in the computation of the regular UC program above base administrative costs.

Administrative costs will be computed on the ETA 902P report, line 301, column 17. *See* Attachment VI for additional detail. The supplemental budget request process will be used for states to request funds for implementation.

2. PUA Accounting Obligational Authority. The Grant Officer will assign a separate line on the UI program notices of obligational authority for PUA administrative grant funds, and a separate sub-account for PUA will be set up in the Payment Management System for states to draw down PUA administrative funds.

Administrative Fund Accounting—Because of the separate appropriation for PUA administrative funds and the availability of these funds until expended, states must track and report PUA administrative expenditures and obligations separately from the regular UI program. Therefore, states must establish a separate fund ledger and must submit a separate ETA 9130 for the PUA program. States must include any PUA administrative expenditures and obligations incurred in March 2020 in their June 30, 2020, PUA ETA 9130 report.

3. Time Distribution. To ensure that PUA costs are tracked separately, states must charge time used for all PUA activities to the appropriate UI functional activity codes as outlined in Appendix E to ET Handbook No. 410 under the separate PUA fund ledger; however, states must combine regular and PUA staff year usage data in Section A of the UI-3 worksheet.
4. Accounting for PUA Payments (Benefits). PUA advances to the states' UTF accounts and disbursements for PUA benefit payments will be reported on the monthly ETA 2112. Do not use a separate form for this report. (*See* Reporting Instructions.) Accurate reporting of advances, reimbursements and payments is important due to the monthly reconciliation of balances with Department of Labor records.
5. Processing Refunds. There are two scenarios for returning funds to the program line for PUA.

- a. The most likely scenario will be when the state has funds in its state benefit payment account and needs to return those funds to the EUCA. This should be completed as a negative amount posted to the appropriate line in ASAP. To accomplish this, the total draw for the day in ASAP must be greater than the negative balance posted to the appropriate line.
- b. The second scenario is when a state actually has the funds in its Federal UI account that are required to be returned to the appropriate program line. This should be accomplished by the state processing a book transfer transaction that accomplishes a transfer from its UI account to the appropriate program under the EUCA account.

E. Reporting Instructions

1. ETA 2112. PUA benefit payment activity must be reported in the aggregate on the regular ETA 2112 report.
 - a. Line 23c. Pandemic Unemployment Assistance. Report in columns C and E the amount of Federal funds received as advances or reimbursement for PUA.
 - b. Line 42c. PUA Activity. Enter in columns C and F the net amount for which the Federal government is liable for PUA.
2. ETA 538. Total PUA initial claims processed during the report period and total PUA continued claims reflecting unemployment for the previous week will be reported in the comments section and labeled as “PUA IC” and “PUA CC” followed by the number. For example: “PUA IC =239” “PUA CC =15,135”. Regular initial claims and continued claims should not include PUA claims.
3. ETA 539. Total PUA initial claims processed during the report period and total PUA continued claims reflecting unemployment for the previous week will be reported in the comments section and labeled as “PUA IC” and “PUA CC” followed by the number. For example: “PUA IC =239” “PUA CC =15,135”. Regular initial claims and continued claims should not include PUA claims.
4. ETA 902. See Attachment VI for detailed instructions about this reporting.

General Provisions for Administering the Pandemic Unemployment Assistance (PUA) Program

CERTIFICATIONS AND ASSURANCES

1. **Compliance with Federal Requirements.** States must comply with the provisions contained in the states' Agreements with the Department to administer PUA and all applicable PUA funding instruments. States must perform such duties and functions in accordance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 C.F.R. Part 200 and 2 C.F.R. Part 2900 applicable to all grants and cooperative agreements. Additionally, the Department's administrative requirements for grants and cooperative agreements at 29 C.F.R. Parts 31, 32, 38, 96, and 98 apply to grant funds provided for these activities.
2. **Prohibition on Subsidization of Forced or Indentured Child Labor.** States, consistent with section 103 of the Further Consolidated Appropriations Act, 2020, Pub. L. 116- 94 and in accordance with Executive Order No. 13126, must not obligate or expend funds made available to administer PUA for the procurement of goods, mined, produced, manufactured, or harvested or services rendered, whole or in part, by forced or indentured child labor in industries and host countries already identified by the U.S. Department of Labor prior to enactment of the Department's 2008 appropriation.
3. **Salary and Bonus Pay Limitations.** States, in compliance with section 101 of the Further Consolidated Appropriations Act, 2020, PUB. L. 116- 94, must not use funds provided for PUA administration to pay the salary and bonuses of an individual, either as direct costs or indirect costs, at a rate in excess of Executive Level II, except as provided for under section 101 of Public Law 109-149. This limitation shall not apply to vendors providing goods and services as defined in OMB Circular No. A-133. Where states are recipients of such funds, states may establish a lower limit for salaries and bonuses of those receiving salaries and bonuses from sub-recipients of such funds, taking into account PUA, including the relative cost-of-living in the state, the compensation levels for comparable state or local government employees, and the size of the organizations that administer Federal programs involved including Employment and Training Administration programs. *See* TEGL No. 5-06 for further clarification. The incurrence of costs and the receipt of reimbursement for these costs under this award certifies that the Grantee has read the above condition and is in compliance.
4. **Veterans' Priority Provisions.** This program, funded by the U.S. Department of Labor, is subject to the provisions of the "Jobs for Veterans Act" (JVA), Public L. 107-288 (38 U.S.C. §4215). The JVA provides priority of service to veterans and spouses of certain veterans for the receipt of employment, training, and placement services. The veterans' priority is implemented by 20 C.F.R. Part 1010 (73 Fed. Reg. 78132, Sept. 19, 2008). Please note that to obtain priority service a veteran must meet the program's eligibility requirements. Training and Employment Guidance Letter (TEGL) No. 10-09 (November 10, 2009) provided general guidance on the scope of the veterans' priority statute and its effect on current employment and training programs. In addition to TEGL 10-09, a series of questions

and answers related to priority of service is posted at:
https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2816 for fifteen (15) programs administered by ETA.

The Workforce Innovation and Opportunity Act (WIOA) State Plan requires states to describe the policies and strategies in place to ensure, pursuant to the JVA, that priority of service is provided to veterans (and certain spouses) who otherwise meet the eligibility requirements for all employment and training programs funded by the U.S. Department of Labor and administered by ETA. *See Required Elements for Submission of the Unified or Combined State Plan and Plan Modifications under the Workforce Innovation and Opportunity Act*, OMB Control No. 1205-0522. In addition, the states are required to provide assurances that they will comply with the Veterans' Priority Provisions established by the JVA. States must adhere to JVA requirements, as interpreted by the Department, in administering PUA.

5. **Certifications and Assurances.** In administering PUA, states must fully comply with the State Quality Service Plan (SQSP) assurances. These SQSP assurances are detailed in Chapter 1, Part VIII of the "Unemployment Insurance State Quality Service Plan (SQSP) Assurances," ET Handbook No. 336 (18th Edition, Change 4).
 - A. **Assurance of Equal Opportunity (EO).**
 - B. **Assurance of Administrative Requirements and Allowable Cost Standards.**
 - C. **Assurance of Management Systems, Reporting, and Recordkeeping.**
 - D. **Assurance of Program Quality.**
 - E. **Assurance on Use of Unobligated Funds.**
 - F. **Assurance of Prohibition of Lobbying Costs.**
 - G. **Drug-Free Workplace.**
 - H. **Assurance of Contingency Planning.**
 - I. **Assurance of Conformity and Compliance.**
 - J. **Assurance of Automated Information Systems Security.**
 - K. **Assurance of Confidentiality.**

The Office of Management and Budget (OMB), SF 424 B *Assurances-Non- Construction Programs*, signed and submitted by each state with its State Quality Service Plan annual submission, also apply.

Statutory Language of Title II, Subtitle A, Section 2102 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020

SEC. 2102. PANDEMIC UNEMPLOYMENT ASSISTANCE.

(a) Definitions.--In this section:

(1) COVID-19.--The term "COVID-19" means the 2019 Novel Coronavirus or 2019-nCoV.

(2) COVID-19 public health emergency.--The term "COVID-19 public health emergency" means the public health emergency declared by the Secretary of Health and Human Services on January 27, 2020, with respect to the 2019 Novel Coronavirus.

(3) Covered individual.--The term "covered individual"--

(A) means an individual who--

(i) is not eligible for regular compensation or extended benefits under State or Federal law or pandemic emergency unemployment compensation under section 2107, including an individual who has exhausted all rights to regular unemployment or extended benefits under State or Federal law or pandemic emergency unemployment compensation under section 2107; and

(ii) provides self-certification that the individual--

(I) is otherwise able to work and available for work within the meaning of applicable State law, except the individual is unemployed, partially unemployed, or unable or unavailable to work because--

(aa) the individual has been diagnosed with COVID-19 or is experiencing symptoms of COVID-19 and seeking a medical diagnosis;

(bb) a member of the individual's household has been diagnosed with COVID-19;

(cc) the individual is providing care for a family member or a member of the individual's household who has been diagnosed with COVID-19;

(dd) a child or other person in the household for which the individual has primary caregiving responsibility is unable to attend school or another facility that is closed as a direct result of the COVID-19 public health emergency and such school or facility care is required for the individual to work;

(ee) the individual is unable to reach the place of employment because of a quarantine imposed as a direct result of the COVID-19 public health emergency;

(ff) the individual is unable to reach the place of employment because the individual has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;

(gg) the individual was scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of the COVID-19 public health emergency;

(hh) the individual has become the breadwinner or major support for a household because the head of the household has died as a direct result of COVID-19;

(ii) the individual has to quit his or her job as a direct result of COVID-19;

(jj) the individual's place of employment is closed as a direct result of the COVID-19 public health emergency; or

(kk) the individual meets any additional criteria established by the Secretary for unemployment assistance under this section; or

(II) is self-employed, is seeking part-time employment, does not have sufficient work history, or otherwise would not qualify for regular unemployment or extended benefits

under State or Federal law or pandemic emergency unemployment compensation under section 2107 and meets the requirements of subclause (I); and

(B) does not include--

(i) an individual who has the ability to telework with pay; or

(ii) an individual who is receiving paid sick leave or other paid leave benefits, regardless of whether the individual meets a qualification described in items (aa) through (kk) of subparagraph (A)(i)(I).

(4) Secretary.--The term "Secretary" means the Secretary of Labor.

(5) State.--The term "State" includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

(b) Assistance for Unemployment as a Result of COVID-19.--Subject to subsection (c), the Secretary shall provide to any covered individual unemployment benefit assistance while such individual is unemployed, partially unemployed, or unable to work for the weeks of such unemployment with respect to which the individual is not entitled to any other unemployment compensation (as that term is defined in section 85(b) of title 26, United States Code) or waiting period credit.

(c) Applicability.--

(1) In general.--Except as provided in paragraph (2), the assistance authorized under subsection (b) shall be available to a covered individual--

(A) for weeks of unemployment, partial unemployment, or inability to work caused by COVID-19--

(i) beginning on or after January 27, 2020; and

(ii) ending on or before December 31, 2020; and

(B) subject to subparagraph (A)(ii), as long as the covered individual's unemployment, partial unemployment, or inability to work caused by COVID-19 continues.

(2) Limitation on duration of assistance.--The total number of weeks for which a covered individual may receive assistance under this section shall not exceed 39 weeks and such total shall include any week for which the covered individual received regular compensation or extended benefits under any Federal or State law, except that if after the date of enactment of this Act, the duration of extended benefits is extended, the 39-week period described in this paragraph shall be extended by the number of weeks that is equal to the number of weeks by which the extended benefits were extended.

(3) Assistance for unemployment before date of enactment.--The Secretary shall establish a process for making assistance under this section available for weeks beginning on or after January 27, 2020, and before the date of enactment of this Act.

(d) Amount of Assistance.--

(1) In general.--The assistance authorized under subsection (b) for a week of unemployment, partial unemployment, or inability to work shall be--

(A)(i) the weekly benefit amount authorized under the unemployment compensation law of the State where the covered individual was employed, except that the amount may not be less than the minimum weekly benefit amount described in section 625.6 of title 20, Code of Federal Regulations, or any successor thereto; and

(ii) the amount of Federal Pandemic Unemployment Compensation under section 2104; and

(B) in the case of an increase of the weekly benefit amount after the date of enactment of this Act, increased in an amount equal to such increase.

(2) Calculations of amounts for certain covered individuals.-- In the case of a covered individual who is self-employed, who lives in a territory described in subsection (c) or (d) of section 625.6 of title 20, Code of Federal Regulations, or who would not otherwise qualify for unemployment compensation under State law, the assistance authorized under subsection (b) for a week of unemployment shall be calculated in accordance with section 625.6 of title 20, Code of Federal Regulations, or any successor thereto, and shall be increased by the amount of Federal Pandemic Unemployment Compensation under section 2104.

(3) Allowable methods of payment.--Any assistance provided for in accordance with paragraph (1)(A)(ii) shall be payable either--

(A) as an amount which is paid at the same time and in the same manner as the assistance provided for in paragraph

(1)(A)(i) is payable for the week involved; or

(B) at the option of the State, by payments which are made separately from, but on the same weekly basis as, any assistance provided for in paragraph (1)(A)(i).

(e) Waiver of State Requirement.--Notwithstanding State law, for purposes of assistance authorized under this section, compensation under this Act shall be made to an individual otherwise eligible for such compensation without any waiting period.

(f) Agreements With States.--

(1) In general.--The Secretary shall provide the assistance authorized under subsection (b) through agreements with States which, in the judgment of the Secretary, have an adequate system for administering such assistance through existing State agencies.

(2) Payments to states.--There shall be paid to each State which has entered into an agreement under this subsection an amount equal to 100 percent of--

(A) the total amount of assistance provided by the State pursuant to such agreement; and

(B) any additional administrative expenses incurred by the State by reason of such agreement (as determined by the Secretary), including any administrative expenses necessary to facilitate processing of applications for assistance under this section online or by telephone rather than in-person.

(3) Terms of payments.--Sums payable to any State by reason of such State's having an agreement under this subsection shall be payable, either in advance or by way of reimbursement (as determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this subsection for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that his the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

(g) Funding.--

(1) Assistance.--

(A) In general.--Funds in the extended unemployment compensation account (as established by section 905(a) of the Social Security Act (42 U.S.C. 1105(a)) of the Unemployment Trust Fund (as established by section 904(a) of such Act (42 U.S.C. 1104(a)) shall be used to make payments to States pursuant to subsection (f)(2)(A).

(B) Transfer of funds.--Notwithstanding any other provision of law, the Secretary of the Treasury shall transfer from the general fund of the Treasury (from funds not otherwise appropriated) to the extended unemployment compensation account such sums as the Secretary of Labor estimates to be necessary to make payments described in subparagraph (A). There are

appropriated from the general fund of the Treasury, without fiscal year limitation, the sums referred to in the preceding sentence and such sums shall not be required to be repaid.

(2) Administrative expenses.--

(A) In general.--Funds in the employment security administration account (as established by section 901(a) of the Social Security Act (42 U.S.C. 1105(a)) of the Unemployment Trust Fund (as established by section 904(a) of such Act (42 U.S.C. 1104(a)) shall be used to make payments to States pursuant to subsection (f)(2)(B).

(B) Transfer of funds.--Notwithstanding any other provision of law, the Secretary of the Treasury shall transfer from the general fund of the Treasury (from funds not otherwise appropriated) to the employment security administration account such sums as the Secretary of Labor estimates to be necessary to make payments described in subparagraph (A). There are appropriated from the general fund of the Treasury, without fiscal year limitation, the sums referred to in the preceding sentence and such sums shall not be required to be repaid.

(3) Certifications.--The Secretary of Labor shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under paragraphs (1) and (2).

(h) Relationship Between Pandemic Unemployment Assistance and Disaster Unemployment Assistance.--Except as otherwise provided in this section or to the extent there is a conflict between this section and section 625 of title 20, Code of Federal Regulations, such section 625 shall apply to this section as if--

(1) the term ``COVID-19 public health emergency" were substituted for the term ``major disaster" each place it appears in such section 625; and

(2) the term ``pandemic" were substituted for the term ``disaster" each place it appears in such section 625.

Supplemental Budget Request (SBR) Application

Instructions: States must complete the application using the suggested format and instructions below for the projects/activities for which the state is seeking funding. This application is to be combined with a completed SF-424 and an SF-424A covering all projects/activities.

Unemployment Insurance Supplemental Budget Request Abstract		
State Name:		
Total Funds Requested for All Projects:		
Name, Title, and Address of Grant Notification Contact (<i>Typically the State Workforce Agency Administrator</i>) Name: Title: Address:		
Name, E-Mail Address, and Phone Number of SBR Project or Fiscal Manager Name: E-Mail Address: Telephone Number:		
Provide the following information for each project (<i>add additional rows as needed</i>):		
Project Name	Total Cost of Project	Proposed Completion Date

Project Description
Project Timeline

Description of Costs			
State Agency Staff Costs:			
Type of Position	Total Hours	Cost Per Hour	Total
Contract Staff Costs:			
Type of Position	Total Hours	Cost Per Hour	Total
Hardware, Software and Telecommunications Equipment:			
Item Description	Cost Per Item	Quantity	Total
Other Costs:			
Item	Cost	Explanation	

SECTION INSTRUCTIONS

Name of Project: Provide the name of the proposed project.

Amount of Funding Request for this Project: Provide the total amount of funds requested in this individual project.

State Contact: Provide name, telephone number, and e-mail address of the individual who can answer any questions relating to the proposal.

Project Description: Provide a brief description of the projects/activities for which the state seeking funding.

Project Timeline: Provide a list of the dates and the milestones for this project.

Description of Costs: Provide an explanation of all costs included in the project.

- **State Agency Staff Costs:** Use the table format provided in this attachment to request state staff to support project implementation.
- **Contract Staff Costs:** Use the table format provided in this attachment to request contract staff to support project implementation.
- **Hardware, Software, and Telecommunications Equipment:** Provide an itemized list of hardware, software, and telecommunications equipment including the cost per item and the number of each item requested. A description of each item must provide any information needed to identify the specific item and a description of the size and capacity of each item if applicable.
- **Other:** Identify each item of cost not covered elsewhere and provide the expected cost per item. The need for each item must be explained.

Instructions Completing the SF-424 and SF-424A

I. Application for Federal Assistance (SF-424)

Use the current version of the form for submission. Expired forms will not be accepted. SF-424, Expiration Date 12/31/2022, Office of Management and Budget (OMB) Control No. 4040-0004 (Grants.gov). <http://www.grants.gov/web/grants/forms/sf-424-family.html>

Section # 8, APPLICANT INFORMATION:

- Legal Name: The legal name must match the name submitted with the System for Award Management (SAM). Please refer to instructions at <https://www.sam.gov>
- Employer/Tax Identification Number (EIN/TIN) : Input your correct 9-digit EIN and ensure that it is recorded within SAM
- Organizational DUNS: All applicants for Federal grant and funding opportunities are required to have a 9-digit Data Universal Numbering System (D-U-N-S®) number, and must supply their D-U-N-S® number on the SF-424. Please ensure that your state is registered with the SAM. Instructions for registering with SAM can be found at <https://www.sam.gov> . Additionally, the state must maintain an active SAM registration with current information at all times during which it has an active Federal award or an application under consideration. To remain registered in the SAM database after the initial registration, there is a requirement to review and update the registration at least every 12 months from the date of initial registration or subsequently update the information in the SAM database to ensure it is current, accurate, and complete. Failure to register with SAM and maintain an active account will result in a rejection of your submission.
- Address: Input your complete address including Zipcode+4; Example: 20110-831. For lookup, use link at <https://tools.usps.com/go/ZipLookupAction!input.action>
- Organizational Unit: Input appropriate Department Name and Division Name, if applicable
- Name and contact information of person to be contacted on matters involving this application. Provide complete and accurate contact information including telephone number and email address for the point of contact

Section # 9, Type of Applicant 1: Select Applicant Type: Input “State Government”

Section # 10, Name of the Federal Agency: Input “Employment and Training Administration”

Section # 11, Catalog of Federal Domestic Assistance Number: Input “17.225”;
CFDA Title: Input “Unemployment Insurance”

Section # 12, Funding Opportunity Number and Title: Input “UIPL No. 16-20,
Pandemic Unemployment Assistance Implementation Grants”

Section # 13, Competition Identification Number: Leave Blank

Section # 14, Areas Affected by Project: Input the place of performance for the project implementation; Example “NY” for New York

Section # 15, Descriptive Title of Applicant’s Project: Input “Pandemic Unemployment Assistance Implementation Grants”

Section # 16, Congressional Districts of:

- Applicant: Input the Congressional District of your home office. For lookup, use link at www.house.gov with Zipcode + 4
- Program/Project: Input the Congressional District where the project work is performed. If it’s the same place as your home office, input the congressional district for your home office. For lookup, use link at www.house.gov with Zipcode+4

Section # 17, Proposed Project

- Start Date: Input a valid start date for the project (earliest start date will be March 27, 2020)
- End Date: Input a valid end date for the project

Section # 18, Estimated Funding (\$): Input the estimated funding requested. Ensure that the funding requested matches the TOTALS in Section B – Budget Categories of the SF424A

Section #s 19 – 20: Complete as per instructions for Form SF-424

Section # 21, Authorized Representative: Please select the “I AGREE” check box and provide complete information for your authorized signatory including contact information such as telephone number and email address. If your Authorized Representative has changed from your previous application submission for this program, please include a letter from a higher level leadership authorizing the new signatory for the application submission

Remember to get the SF-424 signed and dated by the Authorized representative

II. **Budget Information -Non-Construction Programs (SF-424A)**

Use the current version of the form for the submission. Expired forms will not be accepted. SF 424A, Expiration Date 02/28/2022, OMB Control No. 4040-0006
<https://apply07.grants.gov/apply/forms/readonly/SF424A-V1.0.pdf>

Section B – Budget Categories: Ensure that TOTALS in Section 6, Object Class Categories matches the Estimated Funding requested in the SF-424.

Attachment VI to UIPL No. 16-20

Handbook 401 Instructions for ETA 902 Pandemic Unemployment Assistance

ETA 902P – PANDEMIC UNEMPLOYMENT ASSISTANCE ACTIVITIES

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A. Facsimile of Form

ETA 902P – PANDEMIC UNEMPLOYMENT ASSISTANCE ACTIVITIES

STATE:		REGION:			REPORT FOR PERIOD		
SECTION A. APPLICATION AND PAYMENT ACTIVITIES							
CATEGORY	LINE NO.	INITIAL APPS.	NO. DETERM. ELIG.	FIRST PAYMTS.	WKS. CLAIMED	WKS. COMP	AMOUNT COMP.
		1	2	3	4	5	6
Total	101						
Self-Employed	102						

SECTION B. DENIAL AND APPEALS ACTIVITY								
CATEGORY	LINE NO.	WKS.OF PUA DENIED	APPEALS FILED		APPEALS DISPOSED		FAVOR OF APPELLANT	
			STATE	H A	STATE	H A	STATE	R A
		7	8	9	10	11	12	13
Total	201							
Self - Employed	202							
SECTION C. OVERPAYMENT ACTIVITY AND ADMINISTRATION								
CATEGORY	LINE NO.	OVERPAYMENTS			ADMINISTRATIVE COSTS			
		CASES	WEEKS	AMOUNT	PERSONNEL			
		14	15	16	17			
Total	301							
Fraud	302							
Signature				Title				

Comments:

OMB No.: NA
Minutes: NA

OMB Expiration Date: NA

OMB Burden

OMB Burden Statement: Section 2116(a), Division B, Title II of the CARES Act states that “Chapter 35 of Title 44, United States Code, (commonly referred to as the “Paperwork Reduction Act of 1995”) shall not apply to the amendments made by this subtitle.” Therefore these reporting instructions do not require additional OMB approval and the submission of this information is required to obtain or retain benefits under the SSA 303(a)(6).

B. Purpose

The ETA 902P report contains monthly data on Pandemic Unemployment Assistance (PUA) activities provided by the CARES Act, enacted on March 27, 2020. PUA is a temporary Federal program to provide relief for workers affected by the coronavirus who do not qualify for other Federal benefits such as regular unemployment insurance or extended benefits.

C. Scope and Duration of the Report

1. The first report shall be sent in the month following the date the state agreement to participate in the PUA program, and later reports shall be sent each month that PUA activity continues to occur, such as for payments made for weeks in the pandemic assistance period (PAP) issued as a result of appeals.
2. Reports should be submitted monthly through the end of the Pandemic Assistance Period and until all payment and appeals activity is complete.

D. Due Date and Transmittal

Reports shall be submitted electronically each month providing PUA activities performed during the preceding calendar month. Reports are due in the National Office on the 30th of the month following the month to which data relate. South Pacific Island jurisdictions must submit hardcopy reports, as there is no electronic submittal method available to them at this time.

For South Pacific Island jurisdictions, one copy should be sent to the National Office addressed as follows:

U.S. Department of Labor, ETA
Attn: Office of Unemployment Insurance
Frances Perkins Building
200 Constitution Avenue, N.W.
Washington, D.C. 20210
Attention: Pandemic Unemployment Assistance Coordinator/Program
Specialist
Division of Unemployment Insurance Operations

One copy should also be sent to the San Francisco ETA Regional Office.

E. General Reporting Instructions

1. In all instructions, reference to State UI (UC) claims will include UCFE, UCX, TRA, RRA (Railroad), EB, and any other program included and/or defined under 20 C.F.R. 625.2(d).
2. Self-employed applicants are those who have filed an initial request for PUA and for whom it was determined that their primary reliance for income is on their performance of services in their own business or farm.
3. Payments of UI made to replace erroneously paid PUA should not be reported on the ETA 902P, but should be reported on the appropriate UI reports, i.e., ETA 5159.

F. Definitions

1. Effective Date of an Initial Application. The effective day is the first day of the first week of unemployment provided that week of unemployment is in the pandemic assistance period (PAP). PUA claims may be backdated to the beginning of the PAP, February 2, 2020.
2. Eligible. Meets qualifications for receiving Pandemic Unemployment Assistance, as specified in Section 2102 of the CARES Act. If an individual is eligible for UC, such individual is not eligible for PUA and should not be counted in any PUA Activities report.

G. Item by Item Instructions

1. Report Period Ended. Enter the month, last day of the month, and four digit year to which the data relate; e.g., 01/31/2020.
2. State. Enter the two-letter Federal Information Processing Standards (FIPS) State Alpha Code (identical to the two-letter U.S. Postal Service abbreviation) of the state or South Pacific Island jurisdiction as it appears in FIPS Publication 5-2. The National Institute of Standards and Technology issued the FIPS publication on May 28, 1987.
3. Section A. Application and Payment Activities.
 - a. Column 1, Initial Applications. Enter the number of initial applications for PUA taken during the report period. This will equal the number of initial applications that were completed and/or number of applications entered into an automated system through an electronic/telephone claims taking system during the report period. Do not include individuals eligible for UC where it may have been necessary, due to the filing environment, to accept initial claims for both programs.
 - b. Column 2, Number Determined Eligible. Enter the number of individuals determined eligible for PUA during the report period. Do not include individuals eligible for UC where it may have been necessary, due to the filing environment, to accept initial claims for both programs.
 - c. Column 3, First Payments. Enter the number of payments which represent, for any individual, the first week for which assistance is paid in the pandemic assistance period.
 - d. Column 4, Weeks Claimed. Enter the total number of weeks for which PUA is claimed during the report period whether or not PUA is actually paid. If claims are filed weekly, the number of weeks will equal the number of weeks received during the report period. If claims are filed other than weekly claims, the number of weeks will equal the number of weeks during the report period.
 - e. Column 5, Weeks Compensated. Enter the number of weeks of unemployment for which PUA was paid during the report period. A week of unemployment

compensated is any week of unemployment for which PUA funds are paid, regardless of amount.

- f. Column 6, Amount Compensated. Enter the amount of PUA funds represented by the weeks reported in column 5.

4. Section B. Denial and Appeals Activity.

- a. Column 7, Weeks of PUA Denied. Enter the number of weeks of unemployment where a PUA payment was denied for which an individual, except for the reason of the denial, would have been eligible to receive a PUA payment.

NOTE: For columns 8 through 13, the entries refer to the number of cases received or disposed of during the report period by authority (i.e., first level state appeals authority and the second level state higher authority). All cases, including cases disposed of before reaching the appeals authority, should be included. Definitions of case, authority, disposal, etc., are those developed for the PUA program where found or, when these do not exist, are those used in the state UI program.

- b. Columns 8 and 9, Appeals Filed. In columns 8 and 9, distribute, by type of authority, the appeal cases or requests for review received during the month. In addition, provide a sub-breakout of the Total for self-employed individuals in line 202.
- c. Columns 10 and 11, Appeals Disposed. Enter in columns 10 and 11 the total number of cases disposed during the month by authority level. In line 202, provide the number of cases disposed of involving self-employed individuals.
- d. Columns 12 and 13, Favor of Appellant. Enter in columns 12 and 13 the number of appeal decisions included in columns 10 and 11, which were in favor of the appellant by authority level. In line 202 enter a breakout of self-employed individuals who appealed and had the decision in their favor.

5. Section C. Overpayment Activity.

- a. Columns 14, 15, and 16, Overpayments. In column 14, Cases, line 301, enter the number of cases, including willful misrepresentation (fraud) determined during the report period as an overpayment, regardless of when it occurred. In line 302 provide a sub-breakout of the number of cases determined as fraud cases. In column 15, Weeks, enter in line 301 the number of weeks of PUA overpaid in connection with the cases reported in column 14; enter the number of weeks of fraud overpayments included in line 301. In column 16, Amount, enter in line 301, the amount overpaid represented by cases reported in column 14. Provide a sub-breakout of the amount involving fraud in line 302.
- b. Columns 17, Administrative Costs. This data cell will self-populate and reflect computed administrative costs based on workload items reported in Section A. and Section B. above. Minute per unit factors reflected in the annual UIPL advisory communicating target allocations for base administrative grants and staff year usage

information from the UI-1 report will be used to compute staffing levels needed to process the initial claims (line 101 column 1), weeks claimed (line 101 column 4) and appeals disposed (line 201 column 10) workload. Staff salary rates will reflect the rates used for quarterly above base computations. Staffing costs will be increased by the applicable factor to account for leave, and resulting costs will be increased by 19% to account for overhead.

Time factors and staff salary rates necessary for the computations of administrative costs described above for Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau will be communicated to each territory separately.

H. Checking the Report

1. General Checks. Entries should be made for all required items. If the item is inapplicable, or if applicable but no activity corresponding to the items occurred during the report period, a zero should be entered. A report containing missing data cannot be sent to the National Office, but can be stored on the state's system.

2. Arithmetic Checks.

- a. For columns 1, 2, and 8 through 13, the entries in line 102 and 202 respectively, should be equal to or less than the entries in line 101 or 201.
- b. For columns 14 through 16, the entries in line 302 should be equal to or less than line 301.

Signature. Signature is only required if reports are sent manually to the National Office.

APPENDIX C

EMPLOYMENT AND TRAINING ADMINISTRATION ADVISORY SYSTEM U.S. DEPARTMENT OF LABOR Washington, D.C. 20210	CLASSIFICATION Unemployment Insurance
	CORRESPONDENCE SYMBOL OUI/DL
	DATE March 12, 2020

ADVISORY: UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 10-20

TO: STATE WORKFORCE AGENCIES

FROM: JOHN PALLASCH 
Assistant Secretary

**SUBJECT: Unemployment Compensation (UC) for Individuals Affected by the
Coronavirus Disease 2019 (COVID-19)**

1. **Purpose.** To provide guidance to states regarding unemployment compensation (UC) flexibilities related to COVID-19.
2. **Action Requested.** The Department of Labor's (DOL's) Employment and Training Administration (ETA) requests State Workforce Administrators to provide information contained in this Unemployment Insurance Program Letter (UIPL) to appropriate program and other staff in the state's workforce system.
3. **Summary and Background.**
 - a. Summary: This UIPL provides guidance to states regarding UC eligibility for individuals affected by COVID-19.
 - b. Background: The Administration is actively working with states to ensure they have the guidance needed about UC flexibilities related to COVID-19 in order to assist individuals affected by the disease. The Unemployment Insurance (UI) program requires individuals to be able and available for work and to actively seek work (we refer to these as the *able, available, and work search requirements* throughout this UIPL). However, states have significant flexibility in implementing these requirements, as well as in determining the type of work that may be suitable given the individual's circumstances. In short, an individual may be quarantined or otherwise affected by COVID-19 but still eligible for UC, depending on state law. To clarify, UI is not intended to be used as paid sick leave.

RESCISSIONS None	EXPIRATION DATE Continuing
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4. Guidance and Information.

This UIPL provides guidance on the following UC issues related to COVID-19:

- a. Determining whether an individual is “unemployed;
- b. Determining if the individual is able to work, available for work, and actively seeking work;
- c. Examples for assessing UC eligibility;
- d. Employer charging, with consideration for impact on trust fund solvency;
- e. Impact of eliminating the waiting week; and
- f. Promotion of Short-Time Compensation.

a. Determining whether an individual is “unemployed”

The Department has a longstanding legal interpretation of federal UC law that “unemployment” includes a reduction of both work hours and earnings.

The Department first defined “unemployment” in 1950 in its model for state legislation to meet the requirements of federal UC law. The model defined “week of unemployment” as “any week during which [an individual] performs less than full-time work for any employing unit if the wages payable to [the individual] with respect to such week are less than the weekly benefit amount.” (Manual of State Employment Security Legislation 1950.)

The Department further clarified the meaning of the term “unemployment” in UIPL No. 08-98: “Federal law limits the payment of UC to periods in which an individual has experienced unemployment, that is, an actual reduction in hours worked.” UIPL 08-98 cited, among other things, a January 31, 1939, Social Security Board statement that explained that “[S]ince ... any benefits paid under a State law must be paid with respect to unemployment, a State’s plan for the payment of partial benefits must safeguard against the payment for reduced earnings without accompanying unemployment.”

An individual receiving paid sick leave or paid family leave is still receiving pay. Thus, generally speaking, the individual is not “unemployed,” so the individual is ineligible for UC.

b. Determining if the individual is able to work, available for work, and actively seeking work

Federal UC law requires that claimants be able to work, available for work, and actively seeking work. 42 USC 503(a)(12) (Section 303(a)(12) of the Social Security Act (SSA)). These federal requirements cannot be categorically waived or exempted for individuals affected by COVID-19. Yet states have significant discretion to establish how individuals demonstrate that they are meeting these requirements.

The Department has interpreted and enforced the federal able, available, and work search requirements since the inception of the federal-state UC program. As far back as 1939, the Chair of the Social Security Board explained in a letter to the Governor of California, “The

entire legislative history [of the UC titles of the original SSA] . . . all indicate, either expressly or by implication, the compensation contemplated under [these titles] is compensation to individuals who are able to work but are unemployed by reason of lack of work.”

The able and available requirements were codified in federal regulation at 20 CFR 604.4 in 2007. The regulation’s accompanying notice explained, “The UC program is designed to provide temporary wage insurance for individuals who are unemployed due to a lack of suitable work. The [able and available requirements] implement this design by testing whether the fact that an individual did not work for any week was involuntary due to the unavailability of suitable work.” 72 Fed. Reg. 1890 (Jan. 16, 2007). In 2012, Congress codified the able, available, and work search requirements at Section 303(a)(12) of the SSA.

Federal UC law makes some exceptions to these requirements, such as for state-approved training. (Section 3304(a)(8) of the Federal Unemployment Tax Act (FUTA)). Federal UC law also permits some substitutions for these requirements, such as participation in the Short-Time Compensation program. (Section 3306(v)(5) of FUTA.) However, exceptions to this requirement are limited to those included in FUTA or SSA and there is no exception from the able, available, and work search requirements for an individual affected by COVID-19.

Even so, states have flexibility to determine what type of work is suitable for an individual and what it means for that individual to be able, available, and seeking work, even when quarantined or otherwise affected by COVID-19.

Under 20 CFR 604.5(a), a state may consider an individual available for work under any of the following circumstances:

- (1) The individual is available for any work for all or a portion of the week claimed, provided that any limitation placed by the individual on his or her availability does not constitute a withdrawal from the labor market.
- (2) The individual limits his or her availability to work which is suitable for such individual as determined under the State UC law, provided the State law definition of suitable work does not permit the individual to limit his or her availability in such a way that the individual has withdrawn from the labor market . . .
- (3) The individual is on temporary lay-off and is available to work only for the employer that has temporarily laid off the individual.

Further, the regulations explicitly address individuals whose most recent separation occurred due to illness or physical injury, explaining that they may be considered able to work and available for work until such time as they are offered suitable employment and decline it due to that illness or injury (20 CFR 604.4(b)). In addition, federal law requires that an individual actively search for work. However, as with the able and available requirements, states have considerable discretion to determine the types of suitable work which individuals must seek.

Taken together, the federal UC framework gives states significant flexibility to determine standards for ability to work, availability to work, and suitable work in the context of COVID-19.

c. Examples for assessing UC eligibility

The following scenarios are meant to help states assess UC eligibility for individuals affected by COVID-19. In each, the individuals may be unemployed as they have reduced hours and pay.

Federal law permits states to exercise the flexibilities described below. An individual need not quit or be discharged to potentially be eligible for benefits. Therefore, we encourage states to review their laws in light of COVID-19's effects. Other scenarios than these may arise. We encourage states to contact DOL for technical assistance.

Scenario 1: Employer temporarily ceases operations.

An employer or employing unit temporarily shuts down due to COVID-19 with the expectation that the individual will return when business resumes.

Federal law would permit a state to treat the separation here as a temporary layoff. States have significant discretion to determine able, available, and work search requirements, and they can determine that the suitable work for this individual is the job he or she intends to return to after business resumes. As provided in 20 CFR 604.5(a)(3), individuals are able to and available for work if their employer temporarily laid them off and the individuals remain available to work only for that employer. Thus, for states that take this approach, individuals may only need to be able and available for that job and, to meet the work search requirement, take reasonable steps to preserve their ability to come back to that job.

Scenario 2: Individual is quarantined and will return to employer.

An individual is quarantined by a medical professional or under government direction, and the employer has instructed the individual to return to work after the quarantine is over or has not provided clear instruction to do so.

Federal law would permit a state to treat the separation for the period of the quarantine as a temporary layoff. Again, states have significant discretion to determine able, available, and work search requirements, and can determine that the suitable work for this individual is the job he or she intends to return to after quarantine ends. Therefore, for states taking this approach, individuals may only need to be able and available for that job and, to meet the work search requirement, take reasonable steps to preserve their ability to come back to that job. However, if the individual does not return to the employer after the quarantine ends, the state will need to reassess eligibility.

Scenario 3: Individual is not returning to the employer.

An individual is quarantined by a medical professional under government direction or leaves employment due to a reasonable risk of exposure or infection (i.e.; self-quarantine) or to care for a family member and either does not intend to return to the employer or the employer will not allow the individual to return.

Federal law would permit a state law to determine whether the separation here is a quit or a discharge and whether the circumstances are allowable under the state's good cause/just cause provisions. If permitted under the state's good cause/just cause provision, states should consider how they will adjudicate the reasonableness of an individual's separation for reasonable risk of exposure. One such factor could be considering if the individual is in a population that is particularly susceptible to COVID-19.

An individual who leaves work with good cause, however, must still meet all other eligibility requirements to receive benefits, including the able, available, and work search requirements. For example, if state law permits, states may determine that a quarantined individual is still able, available, and seeking work, provided it is work that is suitable for an individual who is quarantined and that limitation does not constitute a withdrawal from the labor market. (20 CFR 604.5(a)(1)).

d. Employer charging and trust fund impacts

Many states do not charge individual employers for benefit costs under certain limited circumstances. These "noncharging" provisions are found in practically all state experience-rating laws. When determining, in the context of COVID-19, whether certain unemployment benefits should be charged to employers, states should consider how to fairly distribute the costs to employers.

If states consider changing their laws to increase availability of UI benefits in the context of the COVID-19 virus, they should also consider the impacts on trust-fund solvency. There are currently 21 states and jurisdictions below the recommended solvency standard and only 31 states that meet the eligibility criteria for interest-free borrowing. (*State Unemployment Insurance Trust Fund Solvency Report*, Feb. 2020).

e. Impact of eliminating the waiting week

In most states, an individual who is otherwise eligible for benefits must first serve a waiting period. This is not federally required, although it is a longstanding practice in the UI program that may give states time to assess eligibility and deter fraud. However, to facilitate individuals' ability to comply with quarantine orders, states should consider temporarily waiving such requirements.

States should understand that if they trigger Extended Benefits while the waiting week is waived, they will not be reimbursed for the federal share of the first week of all Extended Benefit claims. (Section 204(a)(2) of the Federal-State Extended Unemployment Act of 1970).

f. Promotion of Short-Time Compensation

The Short-Time Compensation (STC) program, also known as worksharing, helps employers avert layoffs. The program allows employers with a state-approved STC plan to reduce the hours of their employees in lieu of layoffs, while permitting these employees to receive payment for partial unemployment. Employees benefit because they do not suffer a complete loss of employment and they are paid STC when their hours are reduced. Employers benefit because they are able to reduce labor costs temporarily while still maintaining their skilled workforce. In this way, STC protects employer investments in recruiting and training.

In the context of COVID-19, STC can be an important resource for employers whose business temporarily declines. STC provides a safety net to employees with reduced hours; it helps employers retain their workforce; and it saves jobs. There are currently 28 states who have enacted or amended STC laws in response to changes made by Congress in the Middle Class Tax Relief and Job Creation Act of 2012. We strongly urge states to consider implementing and promoting use of the STC program to avert layoffs where possible.

5. **Inquiries.** Please direct inquiries to the appropriate Regional Office.

6. **References.**

- Section 303, Social Security Act, 42 USC § 503
- Section 3304 Federal Unemployment Tax Act (FUTA), 26 USC § 3304
- Section 3306 Federal Unemployment Tax Act (FUTA), 26 USC § 3306
- Federal-State Extended Unemployment Act of 1970, 26 USC § 3304 note
- 20 CFR Part 604
- Unemployment Insurance Program Letter 08-98, “*Unemployment Compensation (UC) – Payment Only for Periods of Unemployment*”
<https://wdr.doleta.gov/directives/attach/UIPL8-98.cfm>
- Manual of State Employment Security Legislation 1950 (Blue book)
https://oui.doleta.gov/dmstree/pl/blue_book.pdf
- *State Unemployment Insurance Trust Fund Solvency Report* (Feb. 2020)
<https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2020.pdf>

APPENDIX D

Presidential Documents

Executive Order 14002 of January 22, 2021

Economic Relief Related to the COVID–19 Pandemic

By the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby ordered as follows:

Section 1. *Background.* The pandemic caused by the coronavirus disease 2019 (COVID–19) has led to an economic crisis marked by the closure of small businesses, job loss, food and housing insecurity, and increased challenges for working families balancing jobs and caregiving responsibilities. The current economic crisis has affected Americans throughout the Nation, but it is particularly dire in communities of color. The problems are exacerbated because State and local governments are being forced to consider steep cuts to critical programs to address revenue shortfalls the pandemic has caused. In addition, many individuals, families, and small businesses have had difficulties navigating relief programs with varying eligibility requirements, and some are not receiving the intended assistance. The economic crisis resulting from the pandemic must be met by the full resources of the Federal Government.

Sec. 2. *Providing Relief to Individuals, Families, and Small Businesses; and to State, Local, Tribal, and Territorial Governments.* (a) All executive departments and agencies (agencies) shall promptly identify actions they can take within existing authorities to address the current economic crisis resulting from the pandemic. Agencies should specifically consider actions that facilitate better use of data and other means to improve access to, reduce unnecessary barriers to, and improve coordination among programs funded in whole or in part by the Federal Government.

(b) Agencies should take the actions identified in subsection (a) of this section, as appropriate and consistent with applicable law, and in doing so should prioritize actions that provide the greatest relief to individuals, families, and small businesses; and to State, local, Tribal, and territorial governments.

(c) Independent agencies, as enumerated in 44 U.S.C. 3502(5), are strongly encouraged to comply with this section.

Sec. 3. *General Provisions.* (a) Nothing in this order shall be construed to impair or otherwise affect:

(i) the authority granted by law to an executive department or agency, or the head thereof; or

(ii) the functions of the Director of the Office of Management and Budget relating to budgetary, administrative, or legislative proposals.

(b) This order shall be implemented consistent with applicable law and subject to the availability of appropriations.

(c) This order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.



THE WHITE HOUSE,
January 22, 2021.

[FR Doc. 2021-01923
Filed 1-26-21; 8:45 am]
Billing code 3295-F1-P

APPENDIX E



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE GOVERNOR
LANSING

GARLIN GILCHRIST II
LT. GOVERNOR

SECRETARY OF SENATE
2020 MAR 26 PM12:08

EXECUTIVE ORDER

No. 2020-24

Temporary expansions in unemployment eligibility and cost-sharing

Rescission of Executive Order 2020-10

The novel coronavirus (COVID-19) is a respiratory disease that can result in serious illness or death. It is caused by a new strain of coronavirus not previously identified in humans and easily spread from person to person. There is currently no approved vaccine or antiviral treatment for this disease.

On March 10, 2020, the Michigan Department of Health and Human Services identified the first two presumptive-positive cases of COVID-19 in Michigan. On that same day, I issued Executive Order 2020-4. This order declared a state of emergency across the state of Michigan under section 1 of article 5 of the Michigan Constitution of 1963, the Emergency Management Act, 1976 PA 390, as amended, MCL 30.401-.421, and the Emergency Powers of the Governor Act of 1945, 1945 PA 302, as amended, MCL 10.31-.33.

The Emergency Management Act vests the governor with broad powers and duties to “cop[e] with dangers to this state or the people of this state presented by a disaster or emergency,” which the governor may implement through “executive orders, proclamations, and directives having the force and effect of law.” MCL 30.403(1)-(2). Similarly, the Emergency Powers of the Governor Act of 1945 provides that, after declaring a state of emergency, “the governor may promulgate reasonable orders, rules, and regulations as he or she considers necessary to protect life and property or to bring the emergency situation within the affected area under control.” MCL 10.31(1).

To mitigate the spread of COVID-19, protect the public health, and provide essential protections to vulnerable Michiganders, it is reasonable and necessary to temporarily suspend rules and procedures to expand eligibility for unemployment benefits and cost-sharing with employers.

Executive Order 2020-10 took such action. This order reaffirms that action and clarifies and strengthens its expansion of eligibility for unemployment benefits and cost-sharing with employers. With this order, Executive Order 2020-10 is rescinded.

Acting under the Michigan Constitution of 1963 and Michigan law, I order the following:

1. Strict compliance with subdivision (a) of subsection (1) of section 29 of the Michigan Employment Security Act, 1936 (Ex Sess) PA 1, as amended (“Employment Security Act”), MCL 421.29(1)(a), is temporarily suspended, as follows:
 - (a) An individual must be considered to have left work involuntarily for medical reasons if they leave work because of self-isolation or self-quarantine in response to elevated risk from COVID-19 due to being immunocompromised, displaying the symptoms of COVID-19, having contact in the last 14 days with someone with a confirmed diagnosis of COVID-19, the need to care for someone with a confirmed diagnosis of COVID-19, or a family care responsibility as a result of a government directive.
 - (b) An individual may be deemed laid off if they became unemployed because of self-isolation or self-quarantine in response to elevated risk from COVID-19 due to being immunocompromised, displaying the symptoms of COVID-19, having contact in the last 14 days with someone with a confirmed diagnosis of COVID-19, the need to care for someone with a confirmed diagnosis of COVID-19, or a family care responsibility as a result of a government directive.
2. Strict compliance with subsection (3) of section 48 of the Employment Security Act, MCL 421.48(3), is temporarily suspended. An individual on a leave of absence because of self-isolation or self-quarantine in response to elevated risk from COVID-19 due to being immunocompromised, displaying the symptoms of COVID-19, having contact in the last 14 days with someone with a confirmed diagnosis of COVID-19, the need to care for someone with a confirmed diagnosis of COVID-19, or a family care responsibility as a result of a government directive, must be considered to be unemployed unless the individual is already on sick leave or receives a disability benefit.
3. Strict compliance with subsections (4) through (7) of Rule 421.210 of the Michigan Administrative Code is temporarily suspended. An individual who becomes unemployed and files a claim for unemployment benefits within 28 days of the last day worked must be considered to have filed on time.
4. Strict compliance with subsection (d) of section 27 of the Employment Security Act, MCL 421.27(d), is temporarily suspended. Each eligible individual who files a claim or has an active claim as of the effective date of this order will receive not more than 26 weeks of benefits payable in a benefit year.
5. Strict compliance with subsection (1) of section 28c of the Employment Security Act, MCL 421.28c(1), is temporarily suspended. The Unemployment Insurance Agency may approve an employer’s participation in a shared-work plan upon application by the employer, regardless of whether the employer has met the requirements of MCL 421.28c(1).
6. Any benefit paid to a claimant that is laid off or placed on a leave of absence must not be charged to the account of the employer(s) who otherwise would have been

charged but instead must be charged to the Unemployment Insurance Agency's non-chargeable account. Effective March 25, 2020 at 11:59 pm, the benefits conferred on employers by this section are not available to employers determined to have misclassified workers.

7. Strict compliance with subdivision (a) of subsection (1) of section 28 of the Employment Security Act, MCL 421.28(1)(a), is temporarily suspended. For purposes of the able, available and seeking work requirements in section 28, MCL 421.28, suitable work is unavailable because of COVID-19, which satisfies the requirements of section 28 for all claimants.
8. Unless otherwise specified in this order, this order is effective retroactive to March 16, 2020. This order expires on April 22, 2020 at 11:59 pm.
9. Executive Order 2020-10 is rescinded.
10. Consistent with MCL 10.33 and MCL 30.405(3), a willful violation of this order is a misdemeanor.

Given under my hand and the Great Seal of the State of Michigan.

Date: March 25, 2020

Time: 7:36 pm



GRETCHEN WHITMER
GOVERNOR

By the Governor:



SECRETARY OF STATE



FILED WITH SECRETARY OF STATE

3

ON 3/26/2020 AT 11:46 am

APPENDIX F

FACT SHEET #145C JUNE 2020

COVID-19 Unemployment Benefits What is Suitable Work?

Michigan's unemployment insurance law and the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES) Act requires individuals collecting unemployment benefits to be available for suitable work and accept an offer of suitable work. In situations where an employer offers a employee to return to their customary work, a employee can possibly lose unemployment benefits if he/she refuses. Wages, workplace safety, and other factors are considered in determining whether the work is "suitable."

In determining whether full-time or part-time work is "suitable," the law considers the following criteria:

- Employee's physical fitness for the job
- Degree of risk to the employee's health, safety and morals
- Employee's prior training and work experience
- Length of the employee's unemployment
- Employee's prospects for securing work in his/her customary occupation
- Distance of work from employee's residence
- Employee's prior earnings

An individual who refuses an offer of work that is determined to be suitable will be denied benefits if the pay rate for that work is at least 70% of the gross pay rate received immediately before becoming unemployed.

An evaluation of suitable work also includes whether workplace conditions are safe.

- Employers must follow current state and federal requirements and guidance to maintain a safe workplace in general and due to COVID-19
 - State and federal requirements and guidance on COVID-19 include information from the following sources (as of date of publication):
 - [Michigan Occupational Safety and Health Administration \(MIOSHA\)](#)
 - [Occupational Safety and Health Administration \(OSHA\)](#)
 - [Centers for Disease Control and Prevention \(CDC\)](#)
 - [Michigan Safe Start Plan](#)

Check with each government entity for up-to-date guidance and regulations.

- Work is not considered to be suitable if the employer is unable or unwilling to provide a safe workplace required by current state and federal law and guidance. Employers have the responsibility to prove that workplaces are safe and in compliance with appropriate workplace safety laws and guidance.

After collecting half (50%) of the employee's entitled weeks, an unemployed employee must apply for, and accept work even if the work is outside of his or her past training and experience, or unsuitable as to the pay rate as long as the pay is at least:

1. 120% of the individual's weekly benefit amount (WBA);
2. The average wage for the particular work in the locality where the job is offered; and
3. The state minimum hourly wage (currently \$9.65 an hour).

The law says that if an employee refuses an offer of suitable work, without good cause, the employee may be disqualified from receiving unemployment benefits.

Returning to Work with Reduced Hours

If an employee returns to work at reduced hours, and this results in a reduced weekly income compared to the weekly income prior to filing for unemployment benefits, the employee may be eligible for both partial unemployment compensation and the \$600 Federal Pandemic Unemployment Compensation (FPUC) per week. The \$600 FPUC per week is not prorated based on an individual's earnings or hours worked.

What If Employees Refuse to Return to Work?

Employees who refuse to accept "suitable work" without "good cause" can lose unemployment benefits. If the Unemployment Insurance Agency (UIA) finds that the employee did not have good cause to refuse to return to work, the employee: (1) will not be eligible for further unemployment benefits, and (2) will have to pay back unemployment benefits they may have received after they refused the work. If the UIA finds that the employee did have good cause to refuse to return to work, the employee will continue to be eligible for unemployment benefits.

Employers and employees are encouraged to communicate openly about workplace safety practices, sick time policies, reopening requirements and employee-specific concerns about returning to work. Both employers and employees should also document workplace compliance with health and safety guidelines, correspondence (including complaints and inquiries) to MIOSHA, and communications between employers and employees about returning to work.

Employees should report on their MIWAM Account in their biweekly certification that an offer of work was made but they refused that work for a specific reason. See the section below, "Good Cause to Refuse Suitable Work" for COVID-19 specific reasons. Employees should provide the agency with as much information as possible about why they refused an offer of work.

Good Cause to Refuse Suitable Work

Pursuant to Governor Whitmer's Executive Orders, federal law, and UIA guidance, employees may have good cause to refuse work in light of COVID-19 in the following situations:

- The individual's normally available transportation is now unavailable. For example, including but not limited to if public transportation or ride-sharing services are reduced or eliminated due to COVID-19 or for another reason.
 - For employees receiving Pandemic Unemployment Assistance (PUA), the individual's normally available transportation must be unavailable due to a quarantine related to COVID-19 only.
- The individual is under self-isolation or self-quarantine in response to elevated risk from COVID-19 due to being immuno-compromised. Examples of high risk include but are not limited to:
 - Older adults (age 65 and older) and those who are pregnant.
 - Those with specific disease or chronic conditions such as cancer, heart disease, lung disease, chronic liver disease undergoing dialysis, severe obesity, diabetes, malnutrition, and certain genetic disorders.
 - Those with specific medications or treatments such as steroids, chemotherapy, radiation therapy, dialysis, stem cell, bone marrow, or organ transplant.
- The individual or household member has displayed at least one of the principal symptoms of COVID-19, which include fever, atypical cough, and atypical shortness of breath. Refer to the CDC's website for up-to-date information on symptoms, <https://www.cdc.gov/coronavirus/2019-ncov/symptoms-testing/symptoms.html>. Individuals must either have a positive test, have a COVID-19 diagnosis from a medical professional, or be seeking a COVID-19 diagnosis.

- The individual has had contact in the last 14 days with someone with a confirmed diagnosis of COVID-19. Contact for the purposes of healthcare exposures is defined as follows: a) being within approximately 6 feet (2 meters) of a person with COVID-19 for a prolonged period of time, without appropriate personal protective equipment consistent with Department of Health and Human Services recommendations; or b) having unprotected direct contact with infectious secretions or excretions of the patient (e.g., being coughed on, touching used tissues with a bare hand).
- The individual recovered from COVID-19, but the infection caused medical complications rendering the individual temporarily unable to perform essential job duties.
- The individual is required to care for someone with a confirmed diagnosis of COVID-19.
- The individual has a family care responsibility as a result of COVID-19 and does not have access to customary arrangement or a reasonable alternative.
 - This includes if individuals must miss work either to take care of children if the school is closed, or if summer child-care arrangements are closed due to a government directive or COVID-19.
 - If individuals' customary child care is no longer available due to COVID-19, individuals must seek "reasonable" alternatives to child care. If individuals cannot find "reasonable" alternatives to child care, individuals may remain eligible for unemployment benefits. The Agency will consider if alternative child care is "reasonable" compared to the pre-COVID-19 child care for an individual's family. Factors for reasonableness of alternative child care includes:
 - Whether the individual has documented attempts to secure alternative child care;
 - Availability of alternative child care;
 - Distance from individuals' homes to pre-COVID-19 child care compared to the distance from individuals' homes to alternative child care;
 - Cost of alternative child care compared to pre-COVID-19 child care
 - Reasonableness usually will not apply to the curriculum of child care, absent a showing that a child requires a specific curriculum for a medically documented reason(s);
 - E.g. child with special needs requires specific child care arrangements
 - Reasonable childcare includes child care operational and in compliance with Executive Orders and Michigan Department of Licensing and Regulatory Affairs' requirements, including disaster relief child care centers authorized by Executive Order.
- The individual has a reasonable belief that the workplace is unsafe or not in compliance with state or federal safety guidance and law. If an employer claims that a workplace is "suitable" because it meets state and federal workplace safety requirements, the employee may still have "good cause" to refuse that work if the employee can establish he or she has a reasonable belief that the workplace does not meet safety requirements.
- Merely being afraid to return to work is not good cause.

Protesting or Appealing a Refusal of Work Determination or Redetermination

An Agency determination or redetermination can be protested or appealed within 30 days of the mail date on the (re)determination. The employer must prove that a specific offer of work was made to the specific employee and that the work was suitable. The employee will have to prove that the offer was not received, that the work was unsuitable, or that he or she has good cause for refusing the work.

APPENDIX G

The Pandemic Unemployment Assistance (PUA) program launched on May 1.

PUA is a new federal program that covers the self-employed and many others not typically eligible for traditional unemployment, including: farmers, fishermen, independent contractors, gig economy workers, non-profit employees not previously covered, workers without enough work history or earnings to be eligible for traditional unemployment and certain others who have been determined ineligible for traditional unemployment benefits. It expires December 31, 2020.

Frequently Asked Questions

PANDEMIC UNEMPLOYMENT ASSISTANCE (PUA) PROCESS

1. Is there a separate PUA application?

No. Everyone uses the same ReEmployME application. The application has been modified to give different questions based on answers, such as for those who are self-employed.

2. What if I already have an employer ReEmployME account?

You will need to create a new “claimant” account, which can be found on the right side of the ReEmployME log-in screen. You do not need to have an EAN (Employer Account Number, used in ReEmployME system) to create a claimant account or file a claim.

3. How do I file for unemployment benefits under this new program?

- A. If you have already applied for benefits and been denied due to insufficient earnings, **do NOT reapply**. Your claim is in the system and will automatically transfer to PUA. Continue filing your weekly certification.
- B. If you are self-employed, filed a claim before PUA became available and received a denial; you, do not need to refile an initial PUA claim, you will be enrolled in PUA but will need to file weekly PUA claims. If you have any outstanding weekly claims to be filed, these will be identified on your PUA monetary determination and you will be advised to file those claims. The system will allow you to file for the weeks noted.
- C. If you are self-employed and have not yet filed a claim, visit www.maine.gov/unemployment and fill out the streamlined application form for PUA. Submit your weekly certification each week thereafter.
- D. If you are **NOT** self-employed and have not yet filed an initial claim under any unemployment program, you need to file a regular unemployment claim first to determine if you are eligible. If you are determined ineligible, your claim will be automatically converted to a PUA claim. Visit www.maine.gov/unemployment and fill out the application for the [regular state unemployment program](http://www.maine.gov/unemployment).

4. How soon will I receive benefit payments?

If your PUA claim does not require further review by the unemployment program, you should begin receiving benefits in seven days or less from your initial filing.

5. How much will I receive?

PUA benefits start at 50% of the average weekly state unemployment benefit for self-employed and those who do not meet monetary eligibility for regular unemployment. This is \$172/week. If you are self-employed, once we can verify documented earnings, PUA benefits will be adjusted, retroactively. The maximum benefit available under PUA is \$445/week.

In addition, anyone who receives a PUA benefit also receives the full \$600 additional weekly benefit from the Federal Pandemic Unemployment Compensation (FPUC) program which is available for claims filed through the week ending July 25, 2020.

WHAT TO EXPECT

6. Why does my account say “insufficient wages?” Why did I receive a letter in the mail saying I have “0” benefits?

If you applied for PUA starting when the program launched May 1, your account may say “insufficient wages” and/or you may have received a letter saying you have “0” benefits. These statements do NOT mean you are denied PUA benefits! The message and letter indicate that the unemployment system is checking to make sure that you are not eligible for traditional state unemployment as it moves your claim into PUA. (The Department is required by the federal government to make sure filers are not eligible for state unemployment before paying PUA benefits. The letter in the mail is a part of that required process.) Please check your account again in 24-48 hours; the notification should disappear, and your claim should be resolved fully into PUA. Due to high web traffic, the evenings are the best time to check your account. Within seven days of application, PUA benefits will be determined and any eligible weeks will automatically be paid. From then on, please continue to file your weekly certifications.

7. If I’m self-employed, how do I answer question #4?

If you are self-employed and have no wages with an employer in the calendar year 2019 or 2020, you must select “NO” for Question 4. DO NOT select a state on Question 5. To unselect a state, double click on your selection to remove it.

8. [EDITED] If I am self-employed and filing weekly claims under PUA, how do I report my earnings?

In your PUA weekly claim, you should report any earnings in the category for “odd jobs.” These earnings should be reported by gross income. You should save documentation of these expenses.

9. Why did my session time out as I was filling out my claim?

For security purposes, the system will log you off after 10 minutes of no activity. About 2 minutes before the session times out, a box will pop up with a warning, which gives you the option to select “keep working.” If your session times out, any data already saved beforehand will be retained for when you log back in.

10. My account says I’ve had a break in filing. What do I do?

If you have three or more weekly certifications that were not filed, your ability to file them freezes. Because of this, you should file your weekly certification every week, and report any wages you earned the week before. In order to ensure everyone can catch up, the department will make additional weeks available for filing. Periodically check your account so that when available you can file the missing weeks.

COVERAGE

11. Are gig workers, freelancers and independent contractors covered?

Yes. Self-employed people are eligible for unemployment benefits under PUA.

12. What if I have COVID-19 or need to care for a family member who has it?

If you’ve received a COVID-19 diagnosis, are experiencing symptoms or are seeking a diagnosis — and you’re unemployed, partly unemployed or cannot work as a result — you will be covered by PUA. The same is true if you must care for a member of your family or household who has received a diagnosis.

13. What if my child’s school or day care shut down?

If you rely on a school, a day care or another facility to care for a child, elderly parent or another household member so that you can work — and that facility has been shut down as a direct result of COVID-19 — you are eligible for unemployment insurance under PUA.

14. What if I’ve been advised by a health care provider to quarantine myself because of exposure to COVID-19? And what about broader orders to stay home?

People who must self-quarantine and people who are unable to get to work because of a quarantine are eligible, so long as telework is unavailable.

15. I was about to start a new job and now can’t get there as a result of COVID-19.

You’re eligible for benefits under PUA. Documentation of the offer of work will be required. You will also be covered if you were immediately laid off from a new job and did not have a sufficient work history to qualify for benefits under normal circumstances.

16. I had to quit my job as a direct result of COVID-19. Am I eligible to apply for benefits?

It depends. If your employer didn't lay you off but you had to quit because of a quarantine recommended by a health care provider, or because your child's day care closed and you're the primary caregiver, you'll be covered for unemployment benefits under PUA. However, PUA was not designed to cover claimants who may quit (or wish to quit) because of concerns that continuing to work puts them at risk of contracting COVID-19.

17. The breadwinner of my household has died as a result of COVID-19. I relied on that person for income, and I'm not working. Is that covered?

Yes. If the sole provider of household income passed away from COVID-19, their partner will be eligible for PUA benefits.

18. Who is not covered by PUA?

PUA is not available for people who are: able to telework or otherwise work from home; receiving paid sick leave or paid family leave; newly entering the workforce who cannot find jobs; and are otherwise eligible for traditional state unemployment benefits.

19. I have a family member who is at high risk if exposed to the coronavirus. It's difficult to do my job and maintain social distancing to prevent exposure, so my family member's health care provider has advised me to stay home. Do I still qualify for PUA?

You qualify for PUA if you self-attest in your application that the health care provider has advised that you self-isolate and not go to work due to concerns related to COVID-19 which may include preventing the risk of exposing your household member to this virus.

20. What if I am afraid to go to work because I might be exposed to the Coronavirus and get sick?

It depends. If you do not go to work because of a generalized fear of exposure to COVID-19, but do not meet any of the COVID-19 related reasons for not working, you will not be eligible for PUA. **But**, if you have a reasonable fear of going to work (because your workplace does not conform to CDC COVID-related workplace safety recommendations or other orders or recommendations issued by a federal, state, or municipal government, and you reasonably believe that you would be at risk of exposure or infection at work) you may be eligible for PUA.

21. What happens now if I have used up all my unemployment benefits already?

A: Beginning week of May 18th, additional weeks of unemployment benefits are retroactively available to people who have exhausted their state unemployment benefits. These additional weeks are available to anyone whose benefit year ends on or after July 1, 2019 and who remains otherwise eligible. Benefits will be paid retroactively to the week ending March 21, 2020 or the week following your state unemployment exhaustion, whichever is later. The weekly certifications must be filed for those weeks in order for payments to be made. If you have not filed for the week ending March 21 or later, please log in to your ReEmployME

account to file those certifications. Anyone who meets the eligibility criteria and who exhausted their state unemployment benefits will receive Pandemic Unemployment Assistance (PUA) for the weeks ending March 21 and March 28. Starting with the week ending April 4 and later, the Pandemic Extended Unemployment Compensation (PEUC) will begin. For weeks ending April 4 through July 25, 2020, the additional \$600/week in Federal Pandemic Unemployment Compensation will also be paid.

22. I am a high school student with a part-time job—can I apply and qualify for unemployment?

Yes, workers including those younger than 18 who earn wages (including part-time) in covered employment and become unemployed may file for unemployment. You may qualify for unemployment benefits under regular state unemployment assuming you have enough wages to meet the monetary eligibility requirements and all other requirements (e.g., qualified job separation, are able to work and available to work, etc). You would also be eligible as well for the additional \$600/week federal payment.

If you do not qualify for regular state unemployment because you don't have sufficient wages and you have been directly affected by COVID-19, you may be eligible for unemployment under a new federal program (PUA), regardless of age or student status. For example, a full-time student who works a few hours per week in a part-time job and becomes unemployed, partially unemployed, or unable or unavailable to work as a direct result of COVID-19 may be eligible for unemployment under the federal PUA program.

23. [NEWLY EDITED] Are school employees eligible for unemployment insurance during the summer months?

Someone who only works for a school during the normal school year is most likely not eligible for unemployment. As long as there is reasonable assurance that an individual is returning to their job in the fall, Maine statute excludes the summer break from unemployment eligibility. A school employee who also works outside of the school or outside of the regular school year may be eligible for unemployment during the pandemic. The loss of work from the second job would have to be related to COVID-19.

DURATION OF PUA BENEFITS

24. How long will the expanded unemployment insurance coverage under PUA?

Expanded coverage (up to 39 weeks) under PUA will be available to workers whose employment was affected by COVID-19 through the week ending December 26, 2020. Coverage is retroactive

back to March 15 or when the business was affected by COVID-10 whichever is later. If a self-employed person was affected earlier than March 15, they will need to work with an unemployment representative so that their claim can be backdated further than that date.

[NEW!] SELF-EMPLOYMENT DOCUMENTATION—Not everyone needs to submit documentation.

25. Do I need to upload any income documentation if my income is below \$15,224 for calendar year 2019?

No. Self-employed PUA recipients whose net profit in 2019 is below \$15,224 and those who worked for an employer (W2 wages) whose gross wages were below \$15,224, will continue to receive the minimum benefit of \$172 a week, and do not need to upload any information.

26. Can self-employed or sole proprietors upload PUA income documentation?

Yes. Independent contractors, small business owners, and those who are self-employed who are not incorporated are eligible for PUA benefits and may upload their proof of 2019 Income.

27. What if I worked for an employer and I also owned my own business, or if I owned multiple businesses in 2019? Should I upload proof of income for each employer and business?

Yes. You may upload 2019 Income documents for each employer and for any businesses you owned in 2019. However, you may only upload one proof of income for each employer or business and must upload each one separately. Once you have completed uploading proof of income for one employer or business, there is a link to go back to the beginning to upload additional proof of income for another employer or business.

28. What types of documents should be used for proof of income?

For self-employed individuals use your 2019 Federal form 1040 AND upload the following:

- Schedule C – Profit or Loss from Business – Sole Proprietorship (Enter line 31 for calculation of benefits)
- Schedule F – Profit or Loss from Farming (Enter line 34 for calculation of benefits)
- Schedule J – Income Averaging for Farmers or Fishermen (Enter line 22 for the calculation of benefits)
- Schedule K-1 (Form 1065) – Partners share of income, deductions, credits (Enter line 14 for the calculation of benefits)

For income reported on a W2 which is exempted from regular Unemployment Insurance upload your 2019 W2.

29. What types of document formats can I upload? Can I take a picture of a tax document, save it, and then upload that file?

Accepted document formats are: Adobe (.pdf), Microsoft Word (.doc, .docx), or you may take a picture of the document and save it as an image files (.gif, .jpg, .jpeg, .png, or .bmp). Note: The maximum size for each document is 1 MB.

30. What happens if the document I uploaded is not acceptable or if it is not clear or legible?

You will receive written communication either by mail or through your ReEmployME correspondence stating the document was rejected. You will have the ability to remove the item and upload a new document.

31. Where can I find more information on uploading my PUA tax documentation?

Please check this link for more information, helpful videos, instructions and uploading instructions: <https://www.maine.gov/unemployment/pua/taxinfo/>

OTHER

1. Are unemployment benefits taxable?

Yes. When you file your initial application, you choose whether you would like state and federal taxes withheld. This includes the Federal Pandemic Unemployment Compensation (FPUC) \$600 additional weekly benefit, which is available through July 25, 2020. At the end of 2020 you will receive a 1099G with your income from unemployment for your tax records.

APPENDIX H



Cited

As of: April 19, 2021 4:09 PM Z

In re Muse

Court of Appeals of Minnesota

February 22, 2021, Filed

A20-1330

Reporter

2021 Minn. App. LEXIS 174 *: 956 N.W.2d 1

In the Matter of: Hayat Muse.

Prior History: [*1] Department of Employment and Economic Development File No. 39175517-6.

unemployment benefits; [3]-The second requirement can also be met by high school students. The Department did not dispute that relator was ineligible for benefits under state law and lost her part-time employment because of the pandemic; [4]-She thus satisfied the two prerequisites and was thereby eligible for PUA benefits under the plain language of the CARES Act.

Disposition: Reversed.

Outcome

The decision of the ULJ was reversed.

Core Terms

benefits, eligible, high school student, state law, ineligible, regular, unemployment, unemployment benefits, regulations, pandemic, unemployed, reasons, unemployment-compensation, provisions, disqualification, part-time

Case Summary

Overview

HOLDINGS: [1]-The CARES Act sets out two requirements for Pandemic Unemployment Assistance (PUA) eligibility: First, an individual must be ineligible for regular unemployment benefits or PEUC benefits and second, an individual must self-certify that they are available to work but unable to do so because of one of 11 reasons related to the COVID-19 pandemic; [2]-There was no dispute that Minnesota high school students met the first requirement because high school students are categorically ineligible to collect

LexisNexis® Headnotes

Administrative Law > Judicial Review > Standards of Review > De Novo Standard of Review

Governments > Legislation > Interpretation

Administrative Law > Judicial Review > Standards of Review > Deference to Agency Statutory Interpretation

[HN1](#) [↓] **Standards of Review, De Novo Standard of Review**

The court applies a de novo standard of review to administrative agencies' interpretations of federal statutes.

Governments > Legislation > Interpretation

[HN2](#) Legislation, Interpretation

When interpreting a federal statute, this court must give effect to the will of Congress. If the language of the statute is clear, the court will not look beyond it. The court must presume that the legislature says in a statute what it means and means in a statute what it says there.

Business & Corporate Compliance > ... > Disability & Unemployment Insurance > Unemployment Compensation > Scope & Definitions

Labor & Employment Law > Disability & Unemployment Insurance > Unemployment Compensation > Benefit Entitlements

Labor & Employment Law > ... > Unemployment Compensation > Eligibility > Payments

[HN3](#) Unemployment Compensation, Scope & Definitions

The Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (2020) (CARES Act). sets out two requirements for Pandemic Unemployment Assistance eligibility: (1) an individual must be ineligible for regular unemployment benefits or Pandemic Emergency Unemployment Compensation (PEUC) benefits and (2) an individual must self-certify that they are available to work but unable to do so because of one of 11 reasons related to the COVID-19 pandemic. CARES Act § 2102(a)(3)(A). There is no dispute that Minnesota high school students meet the first requirement because, under the Minnesota Unemployment Insurance Law, high school students are categorically ineligible to collect unemployment benefits. [Minn. Stat. § 268.085, subd. 2\(3\)](#) (providing that an applicant is ineligible for benefits during any week that occurs in a period when the applicant is a student in attendance at, or on vacation from a secondary school including the period between academic years or terms). The second requirement can also be met by high school students. All it requires is that the student be available for work, but not be able to work because of one of the listed COVID-19-related reasons.

Governments > Legislation > Interpretation

[HN4](#) Legislation, Interpretation

Deference, however, is only appropriate if the provision being interpreted is ambiguous. For a provision to be ambiguous, the provision must be capable of two or more reasonable interpretations.

Public Health & Welfare Law > Social Services > Emergency Services

[HN5](#) Social Services, Emergency Services

[20 C.F.R. § 625.11](#) of the Disaster Unemployment Assistance (DUA) regulations expressly limits the applicability of state law to only those provisions as specifically set forth in that part of the regulations. [20 C.F.R. § 625.11](#). (The court then referenced the section of the DUA regulations that relates to disqualification, i.e., [20 C.F.R. § 625.13\(b\)](#)). There is nothing in these subsections that would allow disqualification on the basis of the high school restriction in Minnesota state law. To the contrary, the regulations appear to narrowly restrict the applicability of state law provisions to questions relating to whether the benefit applicant has turned down a "suitable position" without "good cause."

Labor & Employment Law > Disability & Unemployment Insurance > Unemployment Compensation > Benefit Entitlements

[HN6](#) Unemployment Compensation, Benefit Entitlements

Eligibility for Pandemic Unemployment Assistance benefits requires a showing that the person is not eligible for regular unemployment-compensation benefits.

Business & Corporate Compliance > ... > Disability & Unemployment Insurance > Unemployment Compensation > Scope & Definitions

Labor & Employment Law > Disability & Unemployment Insurance > Unemployment Compensation > Benefit Entitlements

[HN7](#) Unemployment Compensation, Scope & Definitions

Minnesota state unemployment law bars gig economy workers from eligibility for regular unemployment benefits because they are classified as independent contractors pursuant to *Minn. Stat. § 268.035, subd. 15(a)(1)* (2020), but the guidance makes clear that they are not categorically disqualified from eligibility for Pandemic Unemployment Assistance benefits.

Labor & Employment Law > Disability & Unemployment Insurance > Unemployment Compensation > Benefit Entitlements

[HN8](#) **Unemployment Compensation, Benefit Entitlements**

Applicants for Pandemic Unemployment Assistance (PUA) benefits must demonstrate, among other things, that they are otherwise available for work. Section 2102(a)(3)(A) of the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (2020) (CARES Act). Incarcerated individuals cannot be eligible for PUA benefits because they are not otherwise able to work and available for work within the meaning of applicable State law. CARES Act § 2102(a)(3)(A)(i). And individuals who are not actually unemployed cannot be eligible for PUA benefits because the definition of "covered individual" is limited to those who self-certify that they are unemployed, partially unemployed, or unable or unavailable to work because of one of the enumerated COVID-19-related reasons. CARES Act § 2102(a)(3)(A)(ii)(I).

Labor & Employment Law > Disability & Unemployment Insurance > Unemployment Compensation > Benefit Entitlements

[HN9](#) **Unemployment Compensation, Benefit Entitlements**

Under the plain language of the Unemployment Assistance under the federal Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (2020) (CARES Act), Minnesota state law barring high school students from receiving regular unemployment-compensation benefits does not render high school students categorically ineligible for Pandemic Unemployment Assistance benefits.

Syllabus

Minnesota high school students are not categorically ineligible to receive Pandemic Unemployment Assistance under the federal Coronavirus Aid, Relief, and Economic Security Act, Pub. L. 116-136, 134 Stat. 281 (2020) (CARES Act).

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Judges: Considered and decided by Segal, Chief Judge; Hooten, Judge; and Smith, Tracy M., Judge.

Opinion by: SEGAL

Opinion

SEGAL, Chief Judge

In this certiorari appeal, relator Hayat Muse challenges a determination by an unemployment-law judge (ULJ) that relator is ineligible for Pandemic Unemployment Assistance (PUA) under the CARES Act because she is a high school student. PUA is one of the federal financial assistance programs enacted to provide added unemployment [*2] benefits to help mitigate the financial hardships caused by the COVID-19 pandemic. The ULJ in this case denied PUA benefits to relator because, under the state unemployment statute, high school students are not eligible for regular unemployment benefits. [Minn. Stat. § 268.085, subd.](#)

[2\(3\)](#) (2020). Relator contends that this decision is in conflict with the unambiguous terms of the CARES Act. We agree and, accordingly, reverse the decision of the ULJ.

FACTS

Relator Hayat Muse is a high school student who was separated from her part-time employment at a coffee shop because of the COVID-19 pandemic. Muse applied for unemployment benefits through respondent Minnesota Department of Employment and Economic Development (DEED) in March 2020, identifying herself as a high school student in her application. Muse received PUA benefits for only five weeks.

In May 2020, DEED issued an initial determination of ineligibility stating that Muse was not eligible for PUA benefits because she is a high school student. Muse filed an administrative appeal. Following an evidentiary hearing, a ULJ issued a decision determining Muse ineligible for PUA benefits because of the ineligibility of high school students for regular unemployment-compensation [*3] benefits under state law. As a consequence, Muse received no additional payments and was ordered to pay back the \$1,170 she had received in PUA benefits. A second ULJ affirmed the decision after Muse sought reconsideration.

Muse filed this certiorari appeal and a motion, jointly filed with DEED, to expedite the court's consideration of the appeal. In the joint motion, DEED represented that it will apply this court's decision, both retrospectively and prospectively, with regard to the eligibility of Minnesota high school students for PUA benefits.¹ We granted the joint motion and a subsequent motion by the Minnesota Attorney General to file an amicus brief in support of Muse's position. Following expedited briefing and oral argument, we issued a December 1, 2020 order reversing the ULJ's decision, with an opinion to follow. This opinion sets forth our analysis in support of that order.

¹ DEED's agreement stemmed from a settlement agreement in federal litigation. Relator was a plaintiff in a now-dismissed federal lawsuit challenging DEED's denial of PUA benefits to high school students. See *Youthprise v. Minn. Dep't of Emp't & Econ. Dev.*, No. 20-CV-02087 (D. Minn.). The federal lawsuit was dismissed in October 2020 pursuant to a stipulation that included DEED's agreement to seek expedited consideration of this appeal and to apply this court's decision retrospectively and prospectively.

ISSUE

Are Minnesota high school students categorically ineligible for PUA benefits?

ANALYSIS

This appeal is limited to the narrow but impactful issue of whether Minnesota high school students are disqualified from receiving PUA benefits because high school [*4] students are not eligible for regular unemployment benefits under state law. [HN1](#)^[↑] We apply a de novo standard of review to administrative agencies' interpretations of federal statutes such as the CARES Act. *In re Gillette Children's Specialty Healthcare*, 883 N.W.2d 778, 784 (Minn. 2016).

The CARES Act, signed into law on March 27, 2020, "creates a new temporary federal program called Pandemic Unemployment Assistance (PUA) that in general provides up to 39 weeks of unemployment benefits, and provides funding to states for the administration of the program." U.S. Dep't of Labor, Unemployment Insurance Program Letter No. 16-20 (April 5, 2020) (UIPL 16-20), at 1. Under the Act, the Secretary of Labor "shall provide to any covered individual unemployment benefit assistance while such individual is unemployed, partially employed, or unable to work for the weeks of such unemployment with respect to which the individual is not entitled to any other employment compensation . . . or waiting period credit." CARES Act § 2102(b).

A "covered individual" eligible to collect PUA benefits is an individual who (1) "is not eligible for regular compensation or extended benefits under State or Federal law or pandemic emergency unemployment compensation,"² and (2) self-certifies that she is "otherwise [*5] able to work and available for work within the meaning of applicable State law, except the individual is unemployed, partially unemployed, or unable or unavailable to work because" of one of 11

² Pandemic emergency unemployment compensation (PEUC) is available to individuals who have received all regular unemployment benefits available to them for a particular benefit year. See *generally* CARES Act § 2107. Because Minnesota high school students are not eligible for regular unemployment benefits, they cannot exhaust them and qualify for PEUC.

reasons related to the COVID-19 pandemic.³ CARES Act § 2102(a)(3)(A). The PUA program extended economic assistance to people who lost work due to the pandemic but would not be eligible for regular unemployment-compensation benefits, such as "gig economy" workers who are ineligible for regular unemployment benefits because they are classified as independent contractors and not employees. UIPL 16-20 Attachment 1, at I-6; UIPL 16-20 Change 1 (April 27, 2020), at I-8. As the U.S. Department of Labor (USDOL) has explained, "PUA is a benefit of last resort for anyone who does not qualify for other [unemployment-compensation] programs and who would be able and available to work but for one or more of the COVID-19 related reasons listed in section 2102 of the CARES Act." UIPL 16-20 Change 1, at I-8.

The USDOL issued guidance on how to administer the PUA program in UIPL 16-20 and four subsequent UIPLs referred to as Changes 1 - 4 to UIPL 16-20. Relevant to this appeal, Change 1 to UIPL 16-20 provided an answer to [*6] the question of whether a full-time student who is laid off from part-time employment due to the pandemic (and the part-time income is not her primary source of income) can be eligible for PUA benefits:

Answer: Yes. Provided a full-time student who worked parttime is unemployed, partially unemployed, or unable or unavailable to work because of one of the COVID-19 related reasons in section 2102(a)(3)(A)(ii)(I) of the CARES Act, then he or she may be eligible for PUA.

The requirement that the employment be the "principal source of income" . . . does not apply to eligibility for PUA.

UIPL 16-20 Change 1, at I-7 (Question 28). The guidance also makes clear that there is not a minimum age to be eligible to receive PUA benefits. UIPL 16-20 Change 2 (July 21, 2020), at I-3 - I-4 (Question 6). The USDOL noted that federal or state laws relating to the employment of minors could impact eligibility, but concluded that "[i]f federal and state laws . . . do not make it illegal to employ the individual, and the individual meets the state's able and available requirements, the individual may be eligible for PUA."⁴

³The definition of "covered individual" contains several additional inclusions and exclusions, none of which are relevant here. See CARES Act § 2102(a)(3)(A)(ii)(II), (a)(3)(B).

⁴In connection with this guidance, we note that DEED

Id.

The USDOL guidance further provides that, in the event of questions concerning coverage or administration of the [*7] federal benefits that are not answered in the CARES Act or corresponding UIPLs, states should consult the regulations governing Disaster Unemployment Assistance (DUA), 20 C.F.R. Part 625. UIPL 16-20 Change 1, at 2. DUA is a preexisting, ongoing federal program that provides unemployment assistance to eligible persons impacted by a major disaster. [42 U.S.C. § 5177](#); [20 C.F.R. § 625.1\(a\)](#). Congress provided that the regulations governing DUA apply to the PUA program "[e]xcept as otherwise provided in [section 2102 of the CARES Act] or to the extent there is a conflict between [section 2102] and [part] 625." CARES Act § 2102(h). Finally, only after applying the provisions of the CARES Act, the UIPLs and the DUA regulations (to the extent not inconsistent with the Act or the UIPLs) are states to look at their own unemployment laws in interpreting eligibility for PUA benefits. UIPL 16-20 Change 1, at 2.

With this as background, we turn to the question of whether the ULJ correctly interpreted the CARES Act in disqualifying Muse from receiving PUA benefits. [HN2](#) [↑] When interpreting a federal statute, this court must "give effect to the will of Congress." [Goodman v. Best Buy, Inc., 777 N.W.2d 755, 758 \(Minn. 2010\)](#) (quoting [Griffin v. Oceanic Contractors, Inc., 458 U.S. 564, 570, 102 S. Ct. 3245, 3250, 73 L. Ed. 2d 973 \(1982\)](#)). If the language of the statute is clear, we will not look beyond it. *Id.* "We must 'presume that [the] legislature says in [*8] a statute what it means and means in a statute what it says there.'" *Id.* (quoting [Conn. Nat'l Bank v. Germain, 503 U.S. 249, 253-54, 112 S. Ct. 1146, 1149, 117 L. Ed. 2d 391 \(1992\)](#)).

[HN3](#) [↑] The CARES Act sets out two requirements for PUA eligibility: (1) an individual must be ineligible for regular unemployment benefits or PEUC benefits and (2) an individual must self-certify that they are available to work but unable to do so because of one of 11 reasons related to the COVID-19 pandemic. CARES Act § 2102(a)(3)(A). There is no dispute that Minnesota high school students meet the first requirement because, under the Minnesota Unemployment Insurance Law, high school students are categorically ineligible to

submitted a question to the USDOL regarding the high-school eligibility issue, but did not receive a direct response and the USDOL did not select that specific question for inclusion in the UIPLs.

collect unemployment benefits. [Minn. Stat. § 268.085, subd. 2\(3\)](#) (providing that an applicant is ineligible for benefits during any week "that occurs in a period when the applicant is a student in attendance at, or on vacation from a secondary school including the period between academic years or terms"). The second requirement can also be met by high school students. All it requires is that the student be available for work, but not be able to work because of one of the listed COVID-19-related reasons. DEED does not dispute that Muse is ineligible for benefits under state law and lost her part-time employment because of the pandemic. [*9] Muse thus satisfies the two prerequisites and is thereby eligible for PUA benefits under the plain language of the CARES Act.

DEED, however, urges this court to defer to its interpretation of the CARES Act as the "only reasonable position that accounts for all of the relevant authorities." [HN4](#) [↑] Deference, however, is only appropriate if the provision being interpreted is ambiguous. *In re Cities of Annandale & Maple Lake NPDES/SDS Permit Issuance*, 731 N.W.2d 502, 516 (Minn. 2007); see also *Abdi v. Dep't of Emp't & Econ. Dev.*, 749 N.W.2d 812, 815 (Minn. App. 2008) ("[I]f we conclude that the Act and regulations are clear and unambiguous with respect to the issue before us, DEED's interpretation is entitled to no deference."). For a provision to be ambiguous, the provision must be capable of two or more reasonable interpretations. *Cities of Annandale*, 731 N.W.2d at 516. For the reasons set out below, we conclude that DEED's proposed interpretation is not reasonable and is, therefore, not entitled to deference.

DEED's interpretation is based on language in an attachment to the USDOL guidance that relates to the processing of PUA claims. UIPL 16-20 Attachment 1, at I-9. The language relied on by DEED states that "[t]he provisions of the applicable state law that apply to claims for PUA include . . . [d]isqualification, including disqualifying income provisions." *Id.* DEED argues that "disqualification" [*10] is equivalent to "ineligibility," and that, because high school students are ineligible for regular unemployment benefits under Minnesota law, they are also ineligible for PUA benefits. DEED's reasoning is flawed for several reasons.

First, DEED's argument ignores the beginning of the above-quoted section, which provides that state law applies "consistent with [20 C.F.R. 625.11](#)" of the DUA regulations. *Id.* [HN5](#) [↑] [Section 625.11](#) of the DUA regulations expressly limits the applicability of state law to only those provisions "as specifically set forth" in that

part of the regulations. [20 C.F.R. § 625.11](#). The section of the DUA regulations that relates to disqualification provides, in relevant part:

(b) *Disqualification.*

(1) An individual shall not be entitled to DUA for any week after the week in which the individual is reemployed in a suitable position.

(2) An individual who refuses without good cause to accept a bona fide offer of reemployment in a position suitable to the individual . . . shall not be entitled to DUA [benefits] . . . For the purposes of this paragraph, a position shall not be deemed to be suitable for an individual if . . . acceptance for the position would . . . be inconsistent with any labor standard . . . of the Federal [*11] Unemployment Tax Act, . . . or the comparable provisions of the applicable State law.

[20 C.F.R. § 625.13\(b\)](#) (emphasis added). There is nothing in these subsections that would allow disqualification on the basis of the high school restriction in our state law. To the contrary, the regulations appear to narrowly restrict the applicability of state law provisions to questions relating to whether the benefit applicant has turned down a "suitable position" without "good cause." We thus conclude that DEED erred by relying on this one item in the guidance, without reading it together with the DUA regulations as the guidance requires.

Moreover, the interpretation urged by DEED is inconsistent with the language and purpose of the CARES Act and is illogical. [HN6](#) [↑] Eligibility for PUA benefits requires a showing that the person is not eligible for regular unemployment-compensation benefits. If the very thing that makes the person eligible for PUA benefits is treated as a disqualification, no one would be eligible for PUA benefits.⁵

⁵ We note that DEED does not assert that all individuals who are ineligible for regular unemployment compensation are ineligible for PUA benefits. Rather, DEED argues that "[t]here is a legal distinction between individuals who are not eligible for regular unemployment insurance benefits due to reasons that prevent them from establishing an unemployment benefit account, and those who are ineligible due to application of state law disqualification/ineligibility provisions." Here again, however, we can discern no language in the CARES Act or the USDOL guidance to support such a distinction and it ignores [section 625.11](#) of the DUA regulations that limits the applicability of state law provisions.

DEED's interpretation also ignores the USDOL guidance related to students. That guidance expressly states that full-time students may be eligible for PUA benefits, even though their work was only [*12] part-time and was not a "primary source of income." UIPL 16-20 Change 1, at I-7. The guidance further provides that there is not a minimum age requirement for PUA eligibility. UIPL 16-20 Change 2, at I-3. This undermines DEED's contention that our state law disqualification of high school students from regular unemployment-compensation benefits should be applied to determine PUA eligibility.

Another factor that weighs against DEED's interpretation is the fact that the CARES Act offers "coverage for individuals who are not eligible for regular [unemployment compensation]," including "certain gig economy workers, clergy and those working for religious organizations who are not covered by regular [unemployment compensation], and *other workers who may not be covered by the regular [unemployment-compensation] program under some state laws.*" UIPL 16-20, at 1-2 (emphasis added); *see also* UIPL 16-20 Change 1, at I-8 ("PUA is a benefit of last resort for *anyone* who does not qualify for other [unemployment-compensation] programs and who would be able and available to work but for one or more of the COVID-19 related reasons listed in section 2102 of the CARES Act." (emphasis added)). [HN7](#) Our state unemployment [*13] law bars "gig economy workers" from eligibility for regular unemployment benefits because they are classified as independent contractors pursuant to *Minn. Stat. § 268.035, subd. 15(a)(1)* (2020), but the guidance makes clear that they are not categorically disqualified from eligibility for PUA benefits. *See* UIPL 16-20 Attachment 1, at I-6; UIPL 16-20 Change 1, at I-8.

DEED's final argument in support of its interpretation of the CARES Act is that, if high school students are deemed eligible to obtain PUA benefits, it will throw open the doors of eligibility so wide that even incarcerated individuals and individuals not actually unemployed may be eligible for benefits. This is not accurate. [HN8](#) As we have explained, applicants for PUA benefits must demonstrate, among other things, that they are "otherwise . . . available for work." CARES Act § 2102(a)(3)(A). Incarcerated individuals cannot be eligible for PUA benefits because they are not "otherwise able to work and available for work within the

meaning of applicable State law." *Id.* (a)(3)(A)(i).⁶ And individuals who are not actually unemployed cannot be eligible for PUA benefits because the definition of "covered individual" is limited to those who self-certify that they are "unemployed, partially [*14] unemployed, or unable or unavailable to work because" of one of the enumerated COVID-19-related reasons. *Id.* (a)(3)(A)(ii)(I).

We therefore reject DEED's contention that its interpretation is reasonable and discern no ambiguity in the applicable provisions of the CARES Act. [HN9](#) Under the plain language of the Act, we conclude that our state law barring high school students from receiving regular unemployment-compensation benefits does not render high school students categorically ineligible for PUA benefits.

DECISION

The ULJ erred by concluding that [Minn. Stat. § 268.085, subd. 2\(3\)](#), applies to render Minnesota high school students ineligible for PUA benefits under the CARES Act. For this reason, and because DEED does not dispute that Muse has met the second requirement for PUA eligibility, we reverse the decision of the ULJ.

Reversed.

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⁶ The USDOL guidance confirms this in answering a question about the eligibility of "an incarcerated individual who is no longer participating in the work release program because the jail closed this program due to COVID-19." UIPL 16-20 Change 2, at I-4 (Question 9). The USDOL explains that "the incarcerated individual is not 'otherwise able to work and available for work within the meaning of applicable State law' because of his or her incarcerated status." *Id.*

APPENDIX I



**The Role of Unemployment Insurance
As an Automatic Stabilizer
During a Recession**

July 2010

By

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This report was prepared under a subcontract between the Urban Institute and IMPAQ International. The analysis is part of a multi-year project supported by the U.S. Department of Labor, Employment and Training Administration. The analysis used simulations conducted by the Moody's Economy.com model. The author thanks Jacob Benus of IMPAQ International, Wayne Gordon and Robert Pavosevich of the Employment and Training Administration, and Marisa Di Natale and Robin Heid of Moody's Economy.com for help and suggestions. Any errors in the report are the sole responsibility of the author. Opinions expressed in the report do not necessarily represent the views of the U.S. Department of Labor, the Urban Institute, IMPAQ International, or Moody's Economy.com.

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EXECUTIVE SUMMARY

Total U.S. Unemployment Insurance (UI) benefit payments increase automatically during recessionary periods. This increase in UI benefits during recessionary periods cushions the macro economy from further decline by helping unemployed workers partially maintain their purchasing power. That is, by partially compensating the unemployed for the lost earnings, UI benefits help to break the negative cycle of increased unemployment leading to reduced consumption, which leads to a further reduction in economic activity.

The cyclical response of regular UI benefits during recessions is often enhanced through legislation. Specifically, during recessions, typically there has been some form of federally financed UI benefit extension. Thus, the regular UI program together with federally financed temporary benefit extensions can have a substantial impact in cushioning the negative effects of recessions on the U.S. economy.

The UI program incorporates three levels (or tiers) of benefits:

- 1) Regular UI benefits,
- 2) Temporary (or emergency) federal benefits (EUC), and
- 3) Federal-State Extended Benefits (EB).

Regular UI benefits are always available with up to 26 weeks of benefits for most eligible persons. Temporary federal benefits (Emergency Unemployment Compensation or EUC in the 2008-2009 recession) are paid under conditions set by emergency federal legislation. Up to 53 weeks of EUC have been available during the present recession. Federal-State Extended Benefits (EB) are available in periods when unemployment-related triggers activate the EB program. EB in the present recession has been available under temporary unemployment rate triggers with full federal financing (as opposed to 50-50 federal-state financing shares of the permanent EB law). Payments from all three levels contribute to the stabilizing effect of the UI program. While the financing of UI (i.e., UI payroll taxes) offsets part of the stabilizing effects of UI benefits, the net effect of the program is to make the economy more stable.

This report examines the performance of each UI program component as an automatic stabilizer. The analysis relies heavily on macroeconomic simulations generated by the Moody's Economy.com econometric model. Our approach traces the path of the economy with and without each of these components. By comparing paths, we can measure the effect of the UI program as a whole and by component as an automatic stabilizer.

In this report, we examine the impact of the UI program in stabilizing the economy during a deep recession. Rather than simulating an artificial recessionary scenario, we use the experience of the recent recession (2008-2009) and examine the time path of the economy with and without the UI program. Our analysis of the stabilizing performance of the UI program during 2008Q3-2010Q2 yielded the following conclusions:

- The regular UI program closed about one-tenth (0.105) of the real gross domestic product (GDP) shortfall caused by the recession.
- Extended benefits closed about one-twelfth (.085) of the real GDP shortfall caused by the recession.
- Because of lags that reflect experience rating, the response of UI taxes was delayed with little increase in UI taxes occurring in 2009 and 2010. During 2008Q3-2010Q2, increased UI taxes had essentially no effect on real GDP (a gap closing proportion of -0.007).

Combining all UI components, we find that, overall, the UI program closed 0.183 of the gap in real GDP caused by the recession. There is reason to believe, however, that for this particular recession, the UI program provided stronger stabilization of real output than in many past recessions because extended benefits responded strongly. Multiplier effects in real GDP were estimated to average 2.0 for regular UI benefits and also 2.0 for extended benefits.

CHAPTER 1.

UNEMPLOYMENT INSURANCE AS AN AUTOMATIC STABILIZER

1.1 Introduction and Summary

A primary reason for establishing UI programs was to provide temporary partial replacement for the loss of earnings occasioned by unemployment. Since loss of income from a job is often accompanied by decline in household consumption, an increase in unemployment accompanies declining general economic activity. The UI program, by partially compensating for lost earnings, helps to break the negative cycle of increased unemployment leading to reduced consumption, which leads to a further reduction in economic activity.

The cyclical response of aggregate UI benefit payments to increased unemployment during recessionary periods cushions the macro economy from negative shocks by helping to maintain consumer purchasing power. In other words, UI acts as an automatic stabilizer of real GDP. Benefit payments increase (decrease) automatically in response to higher (lower) unemployment.

The countercyclical response of UI benefits can also be enhanced through legislation. In the past, recession-related federal legislation has temporarily extended unemployment benefits during severe economic downturns. Prior to the present recession, some form of federally financed benefit extension was enacted in every recession extending back to 1958.

This report examines the performance of UI as an automatic stabilizer of economic activity. The analysis relies heavily upon simulations made by the econometric model supported by Economy.com of Moody's Investor Service (Economy.com). The model traces alternative time paths of real GDP, employment, unemployment, other macro variables, and the payment of UI benefits under different assumptions about output and

inflation. The model used in the analysis has been developed to simulate economic activity in the individual states. The principal finding of the analysis is that UI plays a measurable role as an automatic stabilizer of the economy.

This report proceeds as follows: The present chapter provides a brief overview of the legislative enactments that affect the performance of UI in the present recession. The chapter then reviews relevant earlier studies of the UI's stabilizing role. Particular emphasis is placed upon two earlier analyses whose findings were derived from simulations with econometric models. Chapter 2 discusses important behavioral relations that affect the performance of the UI program in individual states. It examines UI reciprocity rates, replacement rates, and the determination of UI taxes. The relationships discussed and presented in Chapter 2 have all been incorporated into the Economy.com state model. Chapter 3 briefly describes the structure of the Economy.com model. One purpose of the chapter is to show how UI benefits and taxes are integrated into the model.

Chapter 4 presents the findings from several simulations. This chapter estimates singly and in combination the stabilizing effects of regular UI benefits, extended benefits, and UI taxes. Finally, Chapter 5 summarizes the results and offers concluding comments, including suggestions for ways to enhance the UI program's performance as an automatic stabilizer.

1.2 UI in the 2008-2009 Recession

During 2008-2009 the U.S. economy experienced a very serious recession. By the broadest measure of economic activity, real GDP, the economy shrank during five of the six calendar quarters after the fourth quarter of 2007 (the start of the recession) through the second quarter of 2009. The reductions in real output during the fourth quarter of 2008 and the first quarter of 2009, 5.4 percent and 6.4 percent respectively, represented the worst back-to-back quarterly performance in more than 50 years. Many now refer to the present downturn as the "great recession".

As real output and employment decreased and unemployment increased, cash payments from state Unemployment Insurance (UI) programs increased sharply. Payments from regular UI programs (the program that can pay up to 26 weeks of benefits), which had totaled \$32.0 billion in 2007, increased to \$42.6 billion (33 percent) in 2008. With unemployment increasing persistently from May 2008 through the end of 2009, benefit payouts in the last half of 2008 were 47.5 percent higher than in the last half of 2007. Larger increases in regular UI benefits occurred in 2009, with the year's annual total reaching \$79.2 billion. Since July 2008, benefits for those who exhaust their regular UI entitlements have also been available. The annual total of extended benefits reached \$49 billion in 2009. Clearly, UI program benefits have responded strongly to the recession. Total (regular plus extended) UI benefit payments in 2009 were \$128 billion or 0.9 percent of GDP. The highest payout rate between 1947 and 2009 was 1.05 percent of GDP in 1975 while the third-highest payout rate was 0.82 percent of GDP in 1958.

Table 1.1 summarizes UI benefit payouts in all post-World War II recessions. Annual payments are shown separately for three levels or "tiers" of UI benefits: Regular UI, Federal-State Extended Benefits (EB) and Temporary Federal Benefits (Emergency Unemployment Compensation or EUC in the 2008-2009 recession). For each recession, the year of highest payouts is identified and payouts are shown in current dollars (columns [1]-[4]) and as a percent of GDP (columns [6]-[8]).

Programs paying long-term benefits were first active in the recession of 1958 and EB was first paid in the recession year 1971. The following three observations are drawn from Table 1.1:

- 1) Total benefits ranged between 0.49 and 1.01 percent of GDP across the 11 recessionary years (this variation reflects both differing recession severity and differing availability of long-term benefits).
- 2) The highest total payout rate occurred in 1975 and the highest payout of extended benefits (EUC + EB) occurred in 2009.
- 3) With the addition of 2009 to the table, there is no obvious trend across the 11 recessions (column [8]).

Table 1.1. UI Benefits by Program and as a Percent of GDP in Recession Years, 1949 to 2009

Recession Year	Regular State UI	Federal State EB	Temporary Federal Benefits	Total UI Benefits	GDP	Regular Benefits/GDP	Extended Benefits/GDP	Total Benefits/GDP
	Total			[1+2+3]		[1]/[5] %	[2+3]/5 %	[4]/[5] %
	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
1949	1.7	-	-	1.7	266	0.65	-	0.65
1954	2.0	-	-	2.0	381	0.53	-	0.53
1958	3.5	-	0.3	3.8	467	0.75	0.06	0.82
1961	3.4	-	0.6	4.0	546	0.63	0.11	0.74
1971	4.9	0.7	0.0	5.6	1,129	0.44	0.06	0.49
1975	11.9	2.5	2.1	16.5	1,635	0.73	0.28	1.01
1980	14.1	1.7	0.0	15.8	2,788	0.51	0.06	0.57
1982	21.3	2.4	1.2	24.9	3,253	0.65	0.11	0.77
1992	24.9	0.0	13.5	38.4	6,342	0.39	0.21	0.60
2002	41.9	0.2	10.7	52.8	10,642	0.39	0.10	0.50
2009	79.2	6.1	43.1	128.4	14,256	0.56	0.35	0.90

Source: Data from U.S. Departments of Labor and Commerce. Data in \$billions.

1.3 Recent UI Legislation

The current recession has witnessed a strong policy response intended to help unemployed workers and their families. In late June 2008, the Congress passed and President Bush signed the Emergency Unemployment Compensation Act (EUC). This provided 13 weeks of added benefits to persons who had exhausted their regular UI benefits. During August and September, the number of EUC claimants exceeded 1.25 million per week, but then the numbers decreased as this added entitlement was also exhausted. By November, the EUC weekly numbers had declined to about 0.75 million. During these fall months, the number of regular UI claimants continued a steady ascent, reaching an average of 4.5 million in December 2008.

EUC was given a second legislative authorization in November 2008. This extended the period for new EUC claims to the end of March 2009, and increased potential EUC weeks from 13 to either 20 or 33, depending upon the state's recent three-month average

total unemployment rate (TUR). States with a TUR of at least 8.0 percent could pay up to 33 weeks of EUC; other states could pay up to 20 weeks.¹

The American Recovery and Reinvestment Act (ARRA) of February 2009 included several UI provisions. The most important were the following:²

- 1) The EUC08 program was further extended to December 31, 2009 with unchanged rules for 20 and 33 potential weeks of EUC benefits. New claims for EUC could be received through the end of 2009, with payments extending into 2010 for eligible claimants. A person filing late in 2009 could potentially receive EUC through May 2010.
- 2) All recipients of UI benefits had their weekly benefit increased by \$25 while ARRA provisions were in effect. In a program where the national average weekly benefit was about \$300, this represented an 8 percent increase in the overall weekly benefit. The percentage increase was even larger for low-wage claimants and those in low-wage states.
- 3) The first \$2,400 of UI benefits in 2009 was exempted from the federal personal income tax.
- 4) For UI claimants faced with the loss of health insurance, coverage could be purchased with the federal government paying 65 percent of the monthly premium.
- 5) The Federal-State Extended Benefits (EB) program was modified to allow easier access to EB payments and longer potential duration (a maximum of 20 weeks in several states rather than the traditional 13). During 2009, more than half the states modified the unemployment rate triggers that activate EB, modifications that will lapse when ARRA lapses.

Both extended benefits programs (EUC and EB) were modified several times during late-2009-early 2010 to lengthen their availability to the long term unemployed. The most recent extension allows new claims for EUC through the week of June 2, 2010, and EUC payments on established claims can occur as late as the week of November 6, 2010.

¹ Potential weeks of entitlement to extended benefits is usually expressed as a fraction of the potential weeks of regular UI. Thus the original EUC08 program could pay the lesser of 13 weeks or half of potential duration under the regular UI entitlement. Most states provide for a variable duration of regular UI benefits. Thus, someone entitled to 20 weeks of regular UI would be entitled to only 10 weeks of EUC08.

² One summary of the UI provisions in ARRA is given in Vroman (2009).

The net effect of the ARRA has been to substantially increase the total volume of UI benefit payments in 2009 and 2010. Estimates of the increase in benefit payouts due to ARRA are necessarily imprecise, since the full depth and duration of the recession are uncertain. A global estimate of all ARRA provisions affecting benefit payouts would be at least \$60 billion in calendar year 2009. When these are added to payouts under the regular UI program, the combined total reached \$128 billion in 2009. The \$128 billion represented 0.9 percent of GDP in 2009, the second highest percentage over the 63 years between 1947 and 2009. A similar percentage may occur in 2010.³

1.4 Earlier Literature

A primary objective of UI is to provide built-in or automatic stability to the overall economy. The economic literature that assesses the strength of UI as an automatic stabilizer is extensive. For example, Gruber (1997) found that the amount that a family spends on food falls by 7 percent when the head of the household becomes unemployed; it would have declined 22 percent in the absence of unemployment benefits.

Two studies of the stabilizing effect of the UI program were supported by the U.S. Department of Labor. Dunson, et al. (1991) used the Data Resources Incorporated (DRI) macro model to assess UI's stabilizing effectiveness. Chemerine, et al. (1999), in an analysis by Coffey Communications, used the Wharton Economic Forecasting Associates (WEFA) model.⁴

Dunson, et al. (1991) and Chimerine, et al. (1999) both conducted broad reviews of previous literature. The review in Dunson, et al. (1991) described 13 separate studies using an aggregate income-expenditure approach to assess stabilizing effectiveness. These studies, published between 1960 and 1986, differed widely in their methodology.

³ The model estimates presented in this paper were based on February 2009 ARRA provisions which were slated to fully expire in May 2010. The model-based analysis did not include effects of the post-ARRA extensions of EUC that were enacted in November 2009, March 2010 and July 2010. The simulated phase-down of 2010Q1 and 2010Q2 were based on the phase-down contemplated under ARRA.

⁴ The DRI model, the WEFA model, and the model of Chase Econometrics have been combined into the Global Insight macro model, which currently provides forecasting services for several federal agencies, agencies of state government, municipalities, and numerous private businesses.

All concluded that UI helps to stabilize the overall economy, but the estimates of stabilizing effectiveness varied quite widely--from reducing real GNP fluctuations by one-fourth or more (Eilbott 1966), to practically no stabilizing effect. An average estimate from this set of studies would be that UI prevented roughly 15 percent of the decline that would have otherwise occurred in aggregate real output. Among the studies that explicitly considered both UI taxes as well as benefits, most concluded that nearly all of the stabilizing effect was provided by UI benefits and that UI taxes played either a small or an inconsistent role.

Dunson, et al. (1991) utilized the DRI model in their simulation analysis. They noted a downtrend in UI reciprocity between the late 1970s and the early 1990s. Their simulations focused on recession-related changes in real GDP and aggregate employment in the late 1970s and the early 1990s. For both periods, there were two simulations: One with the UI program operating in its usual manner and one with UI variables frozen in real terms at levels from the pre-simulation period. The effectiveness of UI was measured during the four quarters of the largest decrease in real output. In each simulation period, the percentage difference in real output and employment was measured and averaged. For the earlier 1970's period, UI reduced the decline in real GNP by an average of 5.5 percent and the decline in employment by 4.9 percent. For the latter (forward-looking) period, UI reduced the decline in real GNP by 3.7 percent and the decline in employment by 3.5 percent. Based on these results, the authors concluded that UI in the 1990s was only 68.5 percent as effective compared to the late 1970s in stabilizing real GNP and 71.4 percent as effective in stabilizing employment. It should be noted that their results focused upon just the regular UI program and did not consider extended benefits programs.

The second large-scale model-based analysis was conducted by Chimerine, et al. (1999) at Coffey Associates. They used the WEFA quarterly econometric model to examine the performance of UI as an automatic stabilizer over five previous recessions (1970, 1974, 1980, 1982, and 1991). Their principal conclusion was that UI provides substantial automatic stabilization to the macro economy. They estimated that recession-related changes in real GDP were reduced on average by about 15 percent by UI benefit

payments. They also concluded the stabilizing effect of UI on the economy had not trended downward over their periods of analysis.

In contrast to Dunson, et al., this study focused upon all three tiers of UI benefit payments (regular UI, temporary federal benefits, and EB). They found (Chapter 5 and Appendices D and F) that the three tiers of benefit payments had very similar stabilizing effects per dollar of expenditures. They also documented the decreased scope of the EB spending after 1981 due to changes in the EB triggers and to a federal bypass option. The latter allowed states during the 1991 recession to bypass EB and pay temporary federal benefits to regular UI exhaustees. Nearly all states exercised this option, since it meant lower EB payments and associated state costs because half of EB is a state fiscal responsibility, whereas none of EUC is state-funded.

Finding that the need for UI as a stabilizer has not diminished, Chimerine, et al., offered suggestions for ways to enhance the stabilizing effectiveness of UI. Three changes to improve effectiveness would be to: 1) raise UI reciprocity rates, 2) make the extended benefit programs more automatic, and 3) increase the level of funding of UI programs. They also recommend more quantitative analysis of UI with the objective of improving its performance as an automatic stabilizer. Like the Chimerine, et al. analysis, the present project will examine the effects of extended benefits as well as regular UI program benefits.

1.5 Summary

In response to the recession of 2008-2009, federal legislation has increased the scope and level of UI benefit payments. Federal policy, plus the built-in features of regular UI, mean that the program will roughly double benefit payouts in 2009 compared to 2008. Benefit payments in 2009 will be more than triple total payouts in the pre-recession year 2007.

Previous evaluations of the UI program have found it to be an important automatic stabilizer of economic activity. These results, however, have not yielded a consensus estimate of UI's stabilizing effect. In this report we attempt to improve on previous studies by conducting a state-level analysis to assess the program's stabilizing performance during a severe recession similar to the recession of recent in 2008-2009.

CHAPTER 2.

KEY UI BEHAVIORAL RELATIONS IN THE STATES

The economies of individual states differ in a variety of ways. Contrasts in industrial structure, money wage levels, demographics (including population growth and labor force age), and cyclical sensitivity are but a few of the state-specific factors important to state economic performance. The Economy.com modeling approach incorporates many state-specific factors into the structure of its state models.⁵

To simulate the performance of unemployment insurance (UI) as an automatic stabilizer, it is important to consider state-level differences in economic structures as well as state differences in UI programs. This chapter focuses on five relationships that characterize key aspects of the UI programs in the individual states:

- 1) Determination of covered employment,
- 2) Average tax rate as a percent of UI covered payroll,
- 3) Average tax rate by detailed industry within each state,
- 4) UI reciprocity rate (beneficiaries as a proportion of total unemployment) and
- 5) UI replacement rate (the ratio of the average weekly benefit to the average weekly wage).

For 2), 4), and 5), regression relationships were developed using annual time series data. To determine the average tax rate by state and industry, a proportional relationship to the statewide average tax rate in 2007 was calculated and projected to hold for all future years spanned by the simulations. The chapter text summarizes these relationships. (Appendix A displays three sets of state-level regressions.) The relationships yield accurate estimates of UI benefits and taxes in the individual states.

2.1 Covered Employment

Nearly all employers and wage and salary workers are covered by the UI program. The only important exceptions are federal government employees, recently discharged service

⁵ One description of the state models is given in Cochrane (2006). Chapter 3 describes the models.

members who are covered by separate programs,⁶ and some employees of small firms and religious organizations.

Employment covered by UI is of two types: Taxable and reimbursable. Taxable employers account for more than 80 percent of covered employment. Their UI taxes are determined by the experience rating system followed in their state. The details of these systems differ widely, but all set UI taxes in such a way that higher payouts of UI benefits cause future UI taxes to be higher for most individual employers (all but those already at the maximum tax rate). Experience rating is described as imperfect, in that there is not a one-to-one correspondence between changes in UI benefit payouts and changes in UI taxes for individual employers. Taxes paid by employers flow into state UI accounts maintained at the U.S. Treasury. These same accounts are the source of benefit payments to eligible claimants in the regular UI program, that is, the program that can pay up to 26 weeks of benefits (28 weeks in Montana and 30 weeks in Massachusetts).

The remaining covered employers are reimbursable employers. At the end of each year they make a payment to the state UI trust fund for all benefits charged to their accounts. In the aggregate, reimbursable employers account for just under 20 percent of covered employment. In 2007, for example, reimbursable employment totaled 25.8 million, or 19.3 percent of total covered employment of 133.4 million. Current coverage provisions have been in place since 1978. Between 1978 and 2007, the reimbursable share of covered employment increased from 17.6 percent to 19.3 percent.

Two groups of employers have reimbursable coverage: State and local governments and nonprofit employers. Employment in state and local governments is easily identified, but nonprofit employment is widely distributed across the industry structure. According to analysis at the Urban Institute, total nonprofit employment in 2005 was 12.9 million. The three two-digit industries with the largest amount of nonprofit employment in descending

⁶ Respectively these are Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-servicemen (UCX). Payments under these two programs are administered by state UI programs, but they have their own financing that is part of the federal budget. The self-employed also fall outside the scope of UI coverage.

order of size are: Industry 62 – Health Care and Social Assistance; industry 81 – Other Services, Except Government; and industry 61 – Educational Services. These three industries combined accounted for 93.5 percent of nonprofit employment in 2005.⁷ Nonprofit employment in industry 62 was 7.0 million in 2005 or 54.2 percent of the nonprofit total. Growth of the nonprofit share of total covered employment undoubtedly reflects the rapid growth of health sector employment.

Because taxable and reimbursable employers have different UI tax treatment, the state-level models should distinguish the two types of employers. Following discussions with staff at the Office of Workforce Security and the Bureau of Labor Statistics, we have partially addressed this question, but limitations on existing data availability have made it necessary to follow a methodology where nonprofit employment has been combined with for-profit private employment. Employment in the government sector (at all levels) was removed from the total employment estimates. However, when the Bureau of Labor Statistics publishes state-by-industry data on UI covered employment and payroll, nonprofit employment is not routinely separated from for-profit employment.⁸ In industries with large nonprofit employment, UI-based tax rates will overstate actual tax rates.

At the level of statewide aggregates, the UI reporting system does distinguish each of nonprofit employment and government employment from for-profit employment. The reporting system also records the average contribution rate among for-profit employers.

The Economy.com state models have estimated regressions to determine nonprofit employment. The regressions use NIPA employment⁹ in the three industries identified above (NAICS codes 62, 81 and 61) as explanatory variables with different coefficients

⁷ Industries are classified according to the North American Industrial Classification System (NAICS) codes. See Table 2.2 in Wing, et. al (2008) for 2005 estimates of nonprofit employment by industry.

⁸ These data are commonly referred to as Quarterly Census of Employment and Wages (QCEW)

⁹ NIPA (National Income and Product Accounts) employment is estimated quarterly by the Office of Business Economics in the Commerce Department. The Economy.com models have estimates of NIPA employment by state for detailed industries.

estimated for the three industries. The CES employment estimate for the state and local government drives the UI covered employment estimate for this sector.

A regression also determines estimated taxable employment. The explanatory variable for this regression is total CES employment after removing employment in the federal, state, and local sectors, and the nonprofit components of employment in sectors 62, 81 and 61. Total payroll of taxable and of reimbursable employers is also estimated by regression. The ratio of estimated total payroll to estimated employment is then used in the state models to estimate average weekly wages for taxable employers, reimbursable employers, and all employers combined. The estimates of average weekly wages, in turn, are used in the replacement rate regressions (described below).

Although reimbursable employment accounts for a sizable share of total covered employment, UI claims against reimbursable employers are typically modest. In 2007, for example, benefits paid by reimbursable employers totaled \$1.7 billion (5.6 percent of total regular UI benefits). The vast majority of regular UI benefits are paid to current and former employees of taxable employers, and these benefits are financed by experience-rated payroll taxes.

2.2 UI Tax Rates

State UI programs use two main methods for setting tax rates for individual taxable employers. Of the 51 UI programs examined here, 33 use reserve ratio experience rating, 13 use benefit ratio experience rating, two use a combination of reserve ratios and benefit ratios, three use other systems.¹⁰ Reserve ratio systems use the employer fund balance on a set date (the computation date, most commonly June 30) measured as a percentage of recent (taxable or total) payrolls to calculate the employer's reserve ratio. The reserve ratio then determines where along a schedule of tax rates the employer is located, with higher tax rates for employers with lower reserve ratios. This tax rate applies throughout

¹⁰ Puerto Rico and the Virgin Islands are not included in this analysis. Michigan and Pennsylvania use both reserve ratios and benefit ratios to set tax rates. Delaware and Oklahoma use benefit-wage ratios, i.e., the wages of employers with benefit charges, while Alaska uses payroll declines to set tax rates.

the entire upcoming year. Benefit ratio states use the benefit payout rate (benefits charged to an employer as a proportion of the employer's recent [taxable or total] payroll) to calculate a benefit ratio, which determines next year's tax rate. Most states have several tax rate schedules with higher schedules applicable as the state's trust fund descends to lower levels. Higher payouts in both systems (either higher benefit ratios in benefit ratio systems or lower reserve ratios in reserve ratio systems) cause UI taxes to be higher automatically in later periods unless overridden by state legislation. The determination of tax rates for individual employers also depends upon other factors, such as the prevalence of socialized benefit charges, the turnover rate of covered employers, the minimum tax rate, the maximum tax rate, and the level of the taxable wage base.

We used regression analysis to examine UI tax rates measured as a percentage of total payrolls of taxable employers. The regressions showed that lagged benefit ratios exert a strong positive effect on tax rates while lagged reserve ratios had a negative effect on the tax rate in most states. However, the explanatory power of lagged benefit ratios was much higher than for reserve ratios. As a result, we only use lagged benefit ratios in our analysis.

Table 2.1 displays summary statistics from the regressions (the individual state-level regressions appear in Table A.1 of Appendix A). Note in Panel A, 41 of 51 regressions have adjusted R^2 s of at least 0.60 and the average adjusted R^2 is 0.712. The standard errors are generally small, with all but five smaller than 0.25. The average standard error of 0.174 is less than 0.20 of the overall tax rate, which averaged 0.940 for the entire set of 2,958 state-year observations.

The benefit ratio slope coefficients in Panel B are nearly all positive, as expected. Of the 204 slopes, 200 are positive and 126 are significant (using a t ratio of 2.0 to denote significance). The right-hand column in Panel B indicates that the time profile of the benefit ratio coefficients is quite flat, with the average coefficients ranging between 0.252 (two year lag) and 0.176 (4-year lag). The sum of the four coefficients in Panel B (0.869) is similar to the median of the sum of the four benefit ratio coefficients in Panel C

(0.850). Both of these sums are less than 1.0, indicating that using an alternative specification where the constant term was constrained to 0.0 would have yielded a coefficient sum even closer to 1.0.

One curious aspect of these regression results is the pattern of the residuals during 2000-2007. These eight years generate 408 state-year observations. For each state, the size and sign of each regression residual was noted. If a random process generated the residuals, one would expect roughly 204 to be positive and 204 to be negative. In fact, there were only 111 positive residuals compared to 297 negative residuals. The average residual for these last eight years of the estimation period was negative for 40 of the 51 state programs, meaning that the predicted tax rates were typically higher than the actual rates. This raises the question of why effective tax rates were not higher during these years. This would seem to be a good topic for further research to document state actions that reduced effective UI tax rates during 2000-2007. The state model uses add factors to offset the tendency for the regressions to overestimate tax rates in 2009 and later years.

Overall, these results are as expected given the UI program structure and intent. Increases in the benefit payout rate (benefit ratio) cause the average effective tax rate to change in the same direction. The vast majority of slope coefficients (98 percent) have the expected positive signs and the majority (62 percent) is statistically significant. On average, the regressions indicate the response of the tax rate to changes in benefit payouts is spread over 4 years, and, in most states, the total response is nearly as large as the change in the benefit ratio.

Table 2.1. Summary of Regressions - Annual UI Tax Rates, 1960 to 2007

Panel A. Summary Statistics for 51 Programs

Adjusted R ²		Standard Error	
	Number of States		Number of States
Below 0.50	8	Below 0.10	3
0.50-0.599	2	0.10-0.149	20
0.60-0.699	9	0.15-0.199	13
0.70-0.799	13	0.20-0.249	10
0.80-0.899	18	0.25-0.299	3
0.90 Plus	1	0.30 Plus	2
Average	0.712	Average	0.174

Panel B. Sign and Significance of Coefficients

	Positive, Significant	Positive, Not Signif.	Negative, Not Signif.	Negative, Significant	Average
Constant	21	12	10	8	0.103
Ben. Ratio Lag 1 Year	32	19	0	0	0.236
Ben. Ratio Lag 2 Years	34	17	0	0	0.252
Ben. Ratio Lag 3 Year	27	24	0	0	0.205
Ben. Ratio Lag 4 Years	33	14	4	0	0.176
Ben. Ratio Sum					0.869

Panel C. Sum of Four Benefit Ratio Coefficients

	Number of States
Below 0.60	5
0.60-0.699	8
0.70-0.799	10
0.80-0.899	6
0.90-0.999	9
1.00-1.099	5
1.10-Plus	8
Median	0.850

Source: All entries based on 51 state-level regressions in Table A.1 of Appendix A.

2.3 Detailed Tax Rates by State and Industry

Tax rates on covered employers are known to vary widely across industries within states. Experience rating of UI taxes ensures that industries with higher benefit payout rates are subject to higher effective tax rates (taxes as a percent of total covered payroll) than industries with low payout rates. However, the national UI data reporting system no longer routinely publishes details on state-level tax rates by industry. The last year of published data refers to tax rates in 1994.

The QCEW reporting system does record UI contributions in addition to details on employment, total payroll, and UI taxable payroll. For calendar year 2007, we executed a tabulation at the state level of contribution rates by industry for private (for-profit plus nonprofit) employers. The industry detail was at the level of 2-digit NAICS codes, which span 19 detailed industries. We then divided the industry tax rates by the statewide average contribution rate to yield a set of 19 relative tax rates for each state.

Individual industries in each state have highly varied claims experiences, which (through experience rating) cause their tax rates to differ. Industries such as agriculture and construction, administrative and waste services, and accommodation and food services have persistently high claims relative to the all-industry average, and their tax rates are consistently above average. Conversely, low claims volume and associated low tax rates characterize utilities, finance and insurance, management companies, and health care and social assistance. In the former industries, average tax rates are frequently twice the all-industry average, while in the latter group the tax rate often averages less than half the all-industry average. Relative tax rates within an industry tend to be stable over time for many industries.

The use of NAICS coding for classifying industries also provides helpful detail on tax rates within the broad services sector. NAICS codes identify eight broad service sector industries. For the eight sectors combined, the average tax rate nationwide is only somewhat below the all-industry average (0.58 percent versus 0.61 percent in 2007),

Three of the underlying industries have low and three have high average tax rates. Disaggregation of the services sector provides revealing details about UI tax rate variation that are not suggested by the average tax rate for the overall service industry.

These relative tax rates can then be multiplied by each statewide average tax rate to yield estimated tax rates for 19 broad industries. The average tax rates can be obtained using the tax rate regressions described in the previous section. In simulation results to be discussed in Chapter 4, the relative tax rates from 2007 were used to estimate industry-level tax rates for future years. For each future year in a given state, UI tax rates vary by industry and according to the past 4 years' experience in paying regular UI benefits.

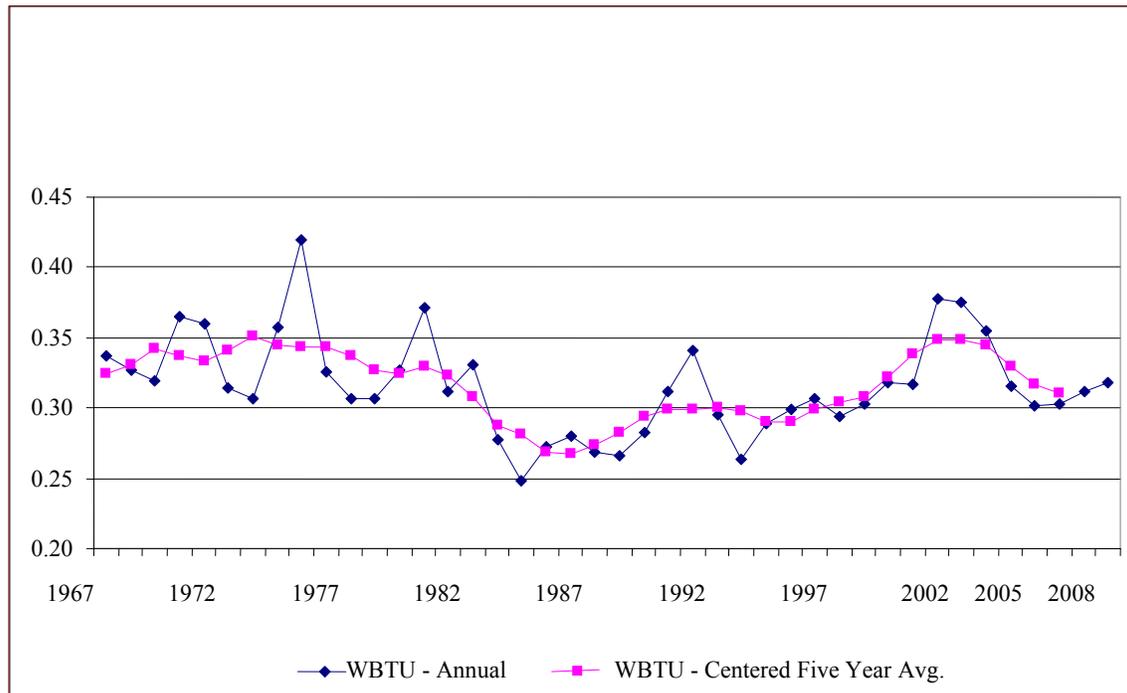
Because the UI tax rate estimates are based on total payroll, they can be directly entered into the Economy.com model estimates of the cost of doing business. Employer UI taxes are one component of labor costs by industry. Thus, within the state models, increases in UI benefit payouts lead to increases in average UI tax rates. This feedback from benefit payouts onto UI taxes allows the analysis to estimate the dampening effect of UI taxes on the performance of UI as an automatic stabilizer of the macro economy.

2.4 Regular UI Reciprocity Rates

Only a minority of the unemployed collect regular UI benefits at any point in time. The reciprocity rate as measured here is the ratio of weekly UI beneficiaries (in the regular UI program or EB) to total unemployment (TU) as measured in the monthly labor force survey of households. This ratio averaged 0.316 between 1967 and 2007. Readers should note that this measure of the reciprocity rate differs from the measure used by many in ETA. They often measure the reciprocity rate as the ratio of regular UI claimants (insured unemployment or IU which includes some not receiving benefits) to total unemployment (or TU). The IUTU ratio (weekly UI claimants as a proportion of weekly unemployment) averaged 0.367 between 1967 and 2007 as opposed to the 0.316 for the WBTU ratio (weekly UI beneficiaries as a proportion of weekly unemployment).

Chart 2.1 shows the national reciprocity rate for the period 1967 to 2008. The chart has two series: The annual WBTU ratio and the centered five-year average of the WBTU ratio. The latter series extends only to 2006, the latest available centered five-year average.

Chart 2.1. Regular UI Reciprocity Rates, 1967 to 2008



Year-to-year changes in the reciprocity rate¹¹ for the regular UI program can be large, as clearly shown in the annual series in Chart 2.1. The two series, particularly the five-year averages, also show a decrease in reciprocity during the early 1980s and an increase in the mid-1990s. In the most recent years, the reciprocity rate has returned to levels that approach the levels of the 1970s.

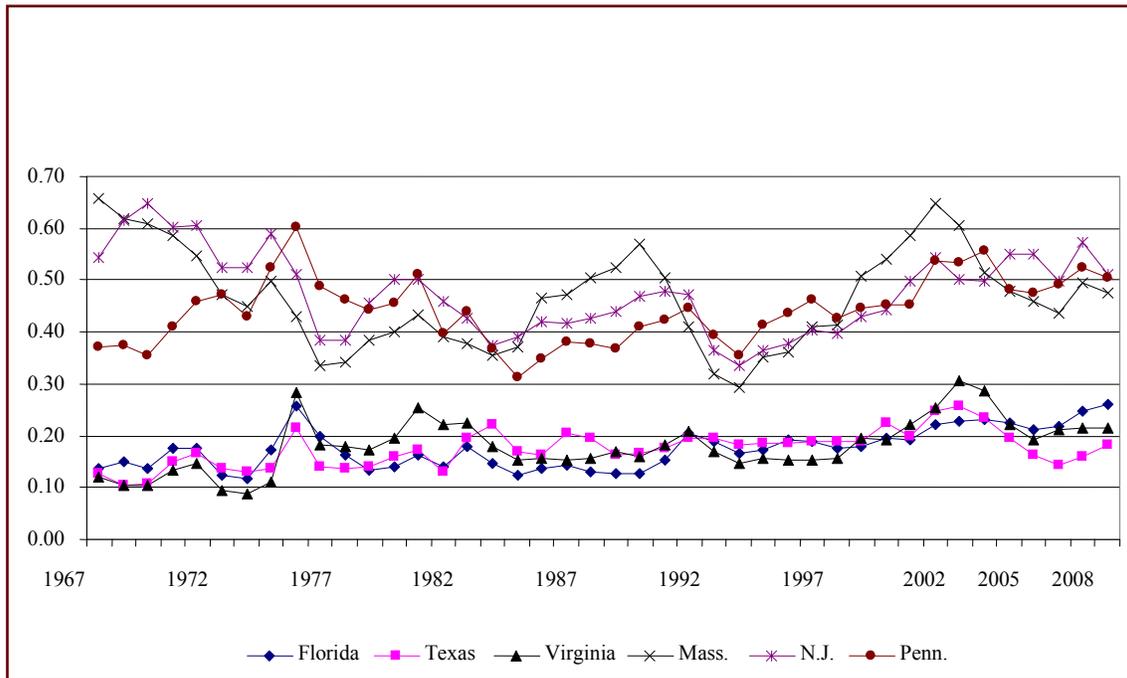
Within a given year, UI benefit reciprocity rates exhibit wide variation across states. State-level averages of the WBTU ratio during 1967-2007 were below 0.20 in five states but exceeded 0.45 in four states over the same 41 years.¹²

¹¹ The WBTU ratio at the state level is first available in 1967. In earlier research, the author has developed state-level estimates of TU for all states starting in 1967.

¹² Averages below 0.20 were present in Colorado, Florida, South Dakota, Texas and Virginia. Averages above 0.45 were present in Connecticut, Massachusetts, New Jersey and Rhode Island.

But state-level WBTU ratios exhibit quite stable relative rankings. Chart 2.2 helps illustrate this relative stability. Three of the six included states exhibit consistently high reciprocity rates (Massachusetts, New Jersey, and Pennsylvania) while three exhibit consistently low reciprocity rates (Florida, Texas, and Virginia). For both groups, annual reciprocity varies, with the variation larger for those with high reciprocity rates; but, not a single data point moves a state from one group to the other.

Chart 2.2. Regular UI Reciprocity Rates in Six States, 1967 to 2008



The contrast in reciprocity rates for the two groups of states would seem to have clear implications for UI program performance in stabilizing the economy. States with high reciprocity can be expected to exert greater stabilizing effects than states with low reciprocity, given that the replacement rates of high reciprocity states are not noticeably lower than in low reciprocity states. The size of the differential effect would also be influenced by the size of offsetting responses caused by experience-rated UI taxes. These issues are explored in Chapter 4 using the Economy.com state models.

We modeled the reciprocity rate for regular UI benefits in each state using four explanatory variables. The unemployment rate for the current year (TUR for total unemployment rate) is expected to enter with a positive coefficient, while the lagged TUR is expected to enter with a negative coefficient. The positive effect of the current TUR reflects the change in the composition of unemployment when unemployment increases. The proportion who are job losers increases with higher unemployment, and job losers are the group most likely to collect UI benefits. The negative effect of the lagged TUR arises from 1) benefit exhaustions, as those with long benefit duration use up their entitlements and 2) the effects of reduced base period earnings and monetary eligibility caused by higher lagged unemployment. These current and lagged effects have been observed for many years.

UI benefit reciprocity has also undergone changes during certain periods. Restrictions on benefit eligibility occurred in the early 1980s and a downward shift in reciprocity has been widely noted.¹³ The shift is apparent in Chart 2.1. Policies at the state and national level were responsible for much of this shift. Less noticed has been an increase in reciprocity that dates from the mid-1990s. Two factors provide at least part of the explanation for this recent increase: the aging of the labor force and increased reliance by employers on permanent (as opposed to temporary) layoffs during recessions. The two trend changes are approximated with dummy variables: The first, D1981 equals zero before 1981 and 1.0 from 1981; the second, D1996 equals zero before 1996 and 1.0 from 1996. As will be seen, both dummies make significant contributions to explained variation in state-level WBTU ratios.

In each state, a regression was fitted for the 41 years from 1967 to 2007. Table 2.2 summarizes the regression results; each state regression appears in Table A.2 of Appendix A. The first thing to note about Table 2.2 is the number of low adjusted R²s. Nineteen fall below 0.40 and just 12 exceed 0.60. In other words, on average, the regressions explain less than half the variation in the WBTU ratio over the 1967-2007

¹³ Several papers have documented a downward shift in reciprocity in the early 1980s: Blank and Card (1991), Burtless and Saks (1984), Corson and Nicholson (1988) and Vroman (1991).

period. The rather large size of the standard errors of the estimates is also apparent. The average of 0.043 indicates that an increase or decrease of 0.043 in the WBTU ratio from one year to the next would not be statistically significant in the majority of states. The regular UI recipiency rate is, thus, a noisy statistical series in individual states.

The coefficients in Panel B are simple averages, but three features are noteworthy. First, the average constant term, 0.336, is similar to the overall average WBTU ratio of 0.314. Second, the sizes of the coefficients for the TUR and the TUR lagged are nearly identical and opposite sign. Recipiency increases when unemployment increases, but the negative pushback from exhaustions and reduced monetary eligibility in the next year is nearly as large. Thus, there is no long-run effect on recipiency when unemployment rises or falls but there is a strong short-run response.¹⁴ On average, an increase in the unemployment rate by one percentage point raises the WBTU ratio by slightly more than two percentage points in the same year, but the ratio falls by about the same amount during the next year. Third, the average sizes of the two trend shift dummies (D1981 and D1986) are nearly identical. The average downward shift in 1981 was 2.7 percentage points and the increase from 1996 was also 2.7 percentage points. Combined, the coefficients indicate that the recipiency rate after 1996 had returned to a level close to its average prior to 1981.

¹⁴ The size of the averages may seem large to some readers. The TUR and the TUR lagged in the regressions were measured as proportions, not as percentages.

Table 2.2. Summary of Reciprocity Rate Regressions, 1967 to 2007

Panel A. Summary Statistics for 51 Programs

Adjusted R ²		Standard Error	
<0.10	4	<=0.030	7
0.10-0.199	3	0.030-0.0399	17
0.20-0.299	4	0.040-0.0499	17
0.30-0.399	8	0.050-0.0599	5
0.40-0.499	11	0.060-0.0699	3
0.50-0.599	9	0.070 Plus	2
0.60-0.699	6		
0.70 Plus	6		
Average	0.454	Average	0.043

Panel B. Sign and Significance of Coefficients

	Positive, Significant	Positive, Not Signif.	Negative, Not Signif.	Negative, Significant	Average
Constant	50	1	0	0	0.336
TUR	36	12	2	1	2.066
TUR Lag	0	0	10	39	-2.193
D1981	4	9	19	19	-0.027
D1996	20	16	10	5	0.027

Panel C. Average Reciprocity Rates

WBTU	
	Number of States
Below 0.20	5
0.20-0.249	9
0.25-0.299	11
0.30-0.349	9
0.35-0.399	8
0.40-0.449	4
0.45 Plus	5
Average	0.314

Source: WBTU ratios developed from data published by the U.S. Department of Labor.

2.5 Extended UI Benefits

Besides regular UI benefits, unemployed workers in some states and/or time periods are also eligible for benefits that extend beyond 26 weeks. There is a permanent federal-state extended benefits program (EB) that may pay up to an additional 13 weeks of benefits (or even 20 weeks in certain situations) if a state EB trigger is “On.” Additionally, the payment of temporary federal benefits (TFB) occurs in certain periods because of federal UI legislation enacted during recessions. The TFB programs are temporary with definite “sunset” dates. Both EB and TFB programs were activated in 2008 and both expanded considerably in 2009, a result of both legislation and higher unemployment rates. During all earlier recessions, EB has been financed 50-50 by the state and the federal government, while TFB has been fully federally financed. The American Recovery and Reinvestment Act (ARRA) of February 2009, however, included a provision to have the federal partner finance all EB payments for claimants who start to collect EB before ARRA expires.

The EB and TFB programs have been relatively important in many past recessions (recall Table 1.1). During 1992 and 1993 the TFB program (termed Emergency Unemployment Compensation or EUC, the same name as the current TFB program) paid amounts equal to fully half of regular UI benefits. Between 1971 and 1982, EB made substantial payments during recessionary years. While EB was not important during the recessions of 1991 and 2001,¹⁵ the number of states paying EB in 2009 increased from three during the first week of January to 36 to 38 between August and November. One-time financial incentives under ARRA (full federal financing), changes to temporary TUR triggers, plus increases in unemployment to higher levels than in the 1991 and 2001 recessions explain the increase in EB payments by the states during 2009 and 2010. EB during 2009 totaled \$6.1 billion, exceeding \$1.0 billion for the first time since 1983.

The current EUC program has been the subject of seven federal legislative enactments (July 2008, November 2008, February 2009 and November 2009, December 2009, and

¹⁵ Only nine states activated EB during and after the 1991 recession; just six activated EB during and after the 2001 recession.

March 2010, and April 2010). For the first 11 months of 2009, provisions under the federal stimulus legislation paid EUC for either 20 or 33 weeks depending upon each state's TUR. Eligibility for 20 weeks applied if the three-month TUR was at least 6.0 percent, and for 33 weeks if the TUR was at least 8.0 percent. States eligible for 33 weeks have increased from 20 during the first week of January 2009 to 47 during October 2009. Because of the November 2009 legislation, all states could pay at least 34 weeks of EUC during the final weeks of 2009. As of May 2010, there are four separate tiers of EUC with maximum potential EUC duration of 53 weeks in over 30 states.

Because EB was not active in most states during the 1991 and 2001 recessions, recent information on the relative importance of EB benefits was lacking for most states early in 2009. As noted, however, in late 2009 about three states in four were paying EB. The EB and EUC provisions of current federal UI legislation will run through early November 2010. If the economic recovery proceeds slowly and the recession extends well into 2010 and later, further EB and/or EUC extensions are possible (even likely). Thus, the performance of the regular UI program under alternative future scenarios can be estimated with much greater confidence than the performance of EB and EUC. Discussion of the simulations of the EB and EUC programs in Chapter 4 are careful in describing the underlying assumptions regarding when they are "On."

2.6 Regular UI Replacement Rates

The replacement rates to be used in the simulation analysis are from the *Unemployment Insurance Financial Handbook*, i.e., the ratio of the average weekly benefit for full weeks of unemployment to the average weekly wage of taxable plus reimbursable employers. Since 1967, this ratio has varied between 0.329 and 0.377 at the national level.

In contrast to the reciprocity rate, the multiple regressions are quite successful in explaining the replacement rate. Table 2.3 summarizes state-level regressions that span the years 1967 to 2007. (The individual state regressions appear in Table A.3 of Appendix A.) Among the 51 state-level regressions in Table 2.3, 38 have adjusted R²s of

0.70 or higher, while just four explain less than half the time series variation in the replacement rate. Also indicative of generally good explanatory power, the regressions usually have small standard errors. More than half (27) are smaller than 0.012, while just 11 exceed 0.016. The average standard error of 0.0126 is less than one-third the average for the reciprocity rate regressions summarized in Table 2.2 above.

For individual states, several factors make significant contributions to explaining replacement rate variation. Nearly all regressions include three explanatory variables: 1) the ratio of the maximum weekly benefit to the average weekly wage (MxBenAWW), 2) the TUR, and 3) the TUR lagged. Note that all 51 MxBenAWW variables enter with a positive and significant coefficient. This variable was the most important contributor to explained variation in 45 of 51 regressions. When the maximum weekly benefit increases relative to average wages, the replacement rate increases. The current unemployment rate (TUR) exhibits a uniformly positive coefficient in Table 2.3, which is significant in 37 states. In contrast, the lagged TUR enters negatively with a significant coefficient in 31 of 43 states. This variable was not used in eight states because of collinearity with the current TUR. When both were entered in these states, neither was significant and there was no improvement in the overall fit, i.e., the adjusted R^2 .

Three other influences on the replacement rate entered significantly in a number of states. The statutory replacement rate changed in 15 states during the 1967-2007 period. All 15 slopes had the expected positive signs, of which all but one were significant. Most states operated with a single statutory replacement rate during these years.

Most states determine a claimant's weekly benefit using high quarter earnings from the base period. Over the 1967-2007 period, however, several states changed their WBA calculation from using the single high quarter of earnings in the base period to using average earnings from the two highest quarters. In nearly all instances, this change reduced the weekly benefit and the associated replacement rate. Note in Panel B that seven of the eight coefficients for the two-quarter calculation (D 2Qtr) are negative and six are significant. On average, the move to a two-quarter calculation reduced

replacement rates by 0.02. A second change that reduced replacement rates was the change to an average weekly wage calculation from a high quarter calculation (or vice versa). The associated dummy variable (D AnnWage) was set at 1.0 in years when the annual wage calculation was used and 0.0 when the high quarter calculation was used. In eight of 10 states, this dummy coefficient had the expected negative sign, of which five were significant. The two exceptions were New York and Wisconsin. Both states changed to a high quarter calculation, but the replacement rate in both was lower in the post-change period. No good explanation for this result has been found. Discussions with professional staff in the two states did not help in finding a solution.

Table 2.3. Summary of Replacement Rate Regressions, 1967 to 2007

Panel A. Summary Statistics for 51 Programs

Adjusted R ²		Standard Error	
<0.50	4	0.006-0.0099	14
0.50-0.599	3	0.010-0.0119	13
0.60-0.699	6	0.012-0.0139	9
0.70-0.799	12	0.014-0.0159	4
0.80-0.899	17	0.016-0.0179	5
0.90 Plus	9	0.018 Plus	6
Average	0.772	Average	0.0126

Panel B. Sign and Significance of Coefficients

	Positive, Significant	Positive, Not Signif.	Negative, Not Signif.	Negative, Significant	Number	Average
Constant	34	4	8	5	51	0.080
MxBenAWW	51	0	0	0	51	0.439
TUR	37	14	0	0	51	0.623
TUR Lag	0	0	12	31	43	-0.488
RRate Stat	14	1	0	0	15	0.486
D 2Qtr	0	1	1	6	8	-0.020
D AnnWage	2	0	3	5	10	-0.019

Panel C. Average Replacement Rates and Maximum Benefit to AWW Ratios

Repl. Rate	1967-07	1998-07	MxBenAWW	1967-07	1967-97	1998-07
Below 0.33	9	13	Below 0.35	2	2	3
0.33-0.349	8	4	0.35-0.399	6	5	6
0.35-0.369	13	8	0.40-0.449	12	9	11
0.37-0.389	6	9	0.45-0.499	13	18	9
0.39-0.409	8	8	0.50-0.549	8	10	7
0.41-0.429	4	4	0.55-0.599	9	6	7
0.43 Plus	3	5	0.60 Plus	1	1	8
Average	0.366	0.364	Average	0.474	0.469	0.488

Source: Handbook replacement rates published by U.S. Department of Labor. Other variables derived by the author from data published by the Office of Workforce Security and BLS.

The bottom panel in Table 2.3 summarizes the distribution of replacement rates and the ratio of the maximum weekly benefit to the average weekly wage, with attention to the last 10 years (1998-2007) as well as the full 1967-2007 period. Note that the average replacement rate was essentially the same in the last decade as for the full period. The MxBenAWW ratio did increase somewhat in the most recent period, but the increase in the 51-state average was only 4.1 percent compared to the 1967-1997 period. The regressions of Table 2.3 and the back-up detail of Appendix Table A.3 suggest that the determinants of replacement rates are known and that no important trends were present during the 41-year sample period examined here.

The summary provided in Panel C of Table 2.3 also points to a shortcut that can be used in the simulation analysis. Since the replacement rates exhibit comparatively small variation, the simulations can legitimately use average state-level replacement rates as an alternative to the regression equations displayed in Table A.3. The simulation results to be summarized in Chapter 4 take this simpler approach, using as state-level replacement rates a 10-year average.

2.7 Summary

This chapter examined behavioral relationships that are central to understanding the performance of UI programs in individual states. Multiple regressions were used to characterize time series variation in average UI tax rates and in reciprocity rates and replacement rates in the regular UI program. (The state-level regression results are displayed in Appendix A.) The chapter also described a cross-section analysis of differences in UI tax rates across 19 major industries in each state. All these relationships have been entered into the Economy.com state-level simulation models. Chapter 3 describes the Economy.com state models that underlie the simulation results to be presented and discussed in Chapter 4.

CHAPTER 3.

MODELING THE MACROECONOMIC EFFECTS OF UNEMPLOYMENT INSURANCE

Our analysis of UI as an automatic stabilizer was conducted using the macroeconomic models developed by Economy.com, a branch of Moody's Investor Services Incorporated. This chapter describes the structure of those models and discusses the strategy followed in the simulation analysis.

3.1 The Economy.com Model

Economy.com has developed econometric models suitable for analysis at the national, state, and MSA levels of geographic detail. Our simulations used state models for all 50 states plus the District of Columbia (hereafter 51 states). This geographic detail matches the UI program's structure, with benefit and financing provisions set by the states and differing noticeably from state to state.

Economy.com models use quarterly seasonally adjusted data with quarterly flows measured at annual rates. They carry historic values back at least 20 years and can make forecasts for as many as 30 future years. In our analysis, many simulations were extended to 2020, or 12 years beyond 2008, the most recent year with fully available annual data. This capacity to make lengthy future projections is important because the UI tax rate relationships have four-year lags on benefit payments. Thus, recession-related increases in benefits of 2009, 2010, and later years will affect UI taxes through 2014 and beyond. The models easily incorporate these lagged effects.

3.2 Model Structure

The state models characterize each state economy in six areas: 1) demographics, 2) labor market-real gross product, 3) personal income and average earnings, 4) credit and banking, 5) real estate and housing and 6) consumer demand. Several state-specific relationships are included in each of these areas (or modules), as described in a paper by

Cochrane (2006). The following paragraphs give a brief summary of structural features and key relationships.

Each state model has a complete demographic sector that updates state population estimates with projections of migration, births, and deaths. The total population is divided into age cohorts, and population change includes certain age-specific relationships. Net migration is determined by recent rates of job creation and the change in state unemployment relative to the national average. Separate relationships determine in-migration and out-migration. If aggregate state economic performance is below average, both these population flows respond and slow the pace of statewide population growth. International and domestic population flows are incorporated into the state models.

Paralleling the model's population dynamics are changes in the number of households. Households are disaggregated by age of head and changes are linked to state population growth. Labor market conditions also influence the total number of households. Higher unemployment reduces the rate of new household formation.

Central to each state model is the determination of real output (Gross State Product or GSP). Estimates of GSP are available from the Commerce Department's Bureau of Economic Analysis (BEA) by detailed NAICS¹⁶ industries. State-level GSP for each industrial sector is linked to national GDP in that industry, with adjustments made according to each industry's cost of doing business. This cost variable is discussed below and in Appendix B. State-level GSP for industries in the service sector is driven primarily by local demand conditions, where the size of the state's population and the level of personal disposable income are two key determining factors. Establishment employment is linked to real output through derived demand relationships.

Personal disposable income has wages and salaries as its largest component, but it includes all the other components from the national income accounts as well. Specifically, personal disposable income includes dividends, interest, rents, proprietors'

¹⁶ NAICS – North American Industrial Classification System

income, and Government transfer payments to persons less personal taxes. For the present analysis, transfer payments explicitly recognize each of the three tiers of UI benefit payments as well as the aggregate of all other transfer payments. While this report emphasizes the stabilizing effects of UI benefits, it is important to remember that UI benefits are a small component of total transfers; all other transfers have represented about 98 percent of total transfer payments in recent years.

Real output is also affected by the cost of doing business (CDB) in each state-industry sector. The Economy.com state models recognize three areas of costs that contribute to the overall cost profile for each state-industry sector: Labor costs, energy costs, and tax burden.¹⁷ Labor costs are measured as total wages and salaries (payroll) from the National Income and Product Accounts (NIPA). To recognize labor productivity growth, NIPA payroll is deflated by real GSP. Energy costs are estimated as an average of commercial and industrial electricity prices measured in cents per kilowatt-hour (each normalized by their respective national average) and the weights provided by national expenditures for the two types of energy. The calculation of tax burden incorporates personal, property, and corporate taxes. Taxes also include employer payroll-based contributions for UI and workers' compensation. This comprehensive measure of business plus personal taxes is expressed as a ratio to personal income in the state. Each state-level tax burden ratio is then measured relative to the national ratio.

The aggregate CDB cost measure is then derived as a weighted average of its three constituent components. The national weights are 0.75 for labor costs, 0.15 for energy costs, and 0.10 for tax burden. The weights vary by industry and state. States with an above-average CDB will experience a drag on real GSP growth over the long run, particularly in the industrial sectors, as location decisions respond to cost differentials.

The employer taxes that support the UI program enter the Economy.com models through the CDB cost variable. States with above-average UI taxes and an associated high CDB

¹⁷ See Appendix B for a fuller description of how the cost of doing business is measured. Essentially, it is a weighted average of costs by major cost categories.

will experience some loss of real output due to costs. States with high unemployment rates and/or high UI benefit payments per unemployed worker will be subject to this negative effect on real output.

Real demand and output in each detailed industry and industry productivity are the main determinants of employment in each industry. The models have separate regression relationships that link employment to real output through a derived demand for labor relationship. Through this mechanism, the financing of the UI program has negative output and employment consequences for a state.

UI benefit payments, in contrast, have a positive effect on real output and employment. These transfer payments increase household disposable income and consumption. Increases in UI benefits have an immediate effect upon disposable income and consumption expenditures. Unlike higher UI taxes, which operate with a long (four-year) lag, increases in benefit payments (from all three tiers of UI benefits) immediately raise household income. These transfer payments are then almost entirely spent on consumption items in the same year.

Thus, the two channels whereby UI affects the rest of the economy are through increases in consumption from UI benefits and increases in UI taxes (which reduce real output in affected industries by raising employer costs).

3.3 The Simulation Strategy

To examine the effects of UI on the macro economy, several different determinants (or treatments) were included in our analysis. Four separate elements of the UI program can influence the time path of real GDP, total employment, and total unemployment. These four are: (1) regular UI benefits, (2) temporary (or emergency) federal benefits (EUC in 2008, 2009, 2010, and perhaps later), (3) Federal-State Extended Benefits (EB), and (4) UI taxes. For the present report, the EUC and EB programs are modeled as a single extended benefit program. Even with the modifications of the EB triggers made under the

fiscal stimulus package of February 2009, the bulk of all extended benefits in 2009 were EUC benefits. The EB component of their combined total for 2009 was only about 10 percent.

Thus, the analysis examines the effects of three separate components of the UI program: regular UI benefits, extended benefits (EUC plus EB) and UI taxes. It should be noted that the UI taxes included in the analysis are the state taxes that support payment of regular UI benefits. The federal taxes that support program administration are not modeled. This approach also assumes that the full costs of EUC and EB payments are supported by the federal partner and add to the federal budget deficit. The effects of EUC and EB on the deficit are measurable in 2009, adding some \$40 billion to the deficit. Their effects in financial markets are the same as other categories of deficit-increasing expenditures. No explicit treatment of the feedback effects of the deficit on macro performance is included in this analysis.

From the perspective of the business cycle, the UI program is important in stabilizing the time paths of macro variables like real GDP and total employment. To gauge UI's stabilizing impact we simulate a steady growth counterfactual and examine downward deviations from the counterfactual. The counterfactual projects macro variables under an assumption of reasonably steady growth during and after the periods affected by the recession, which officially began in the fourth calendar quarter of 2007. While the current recession may officially end in 2010, it is clear that unemployment will remain high and real output will remain considerably below potential real output for several future years. Associated with high unemployment will be elevated levels of UI benefit payments and UI taxes.

The growth counterfactual to be used is a growth projection from the national Economy.com model used in the fourth calendar quarter of 2007. This foresees annual real GDP growth in later periods of between 2.7 and 4.7 percent, with growth in most years above 3.0 percent. During the years between 2008 and 2020, the unemployment rate is projected to range between 4.2 and 5.1 percent (lower in the later years) and

average 4.5 percent. This path approximated full employment growth as projected by the 2007Q4 Economy.com model.

The steady growth path is then compared to a time path that approximates a deep recession. Rather than developing an artificial recessionary time path, we used the historic time path of the economy (2007Q4 through 2009Q2) for comparison with the steady growth path. For quarters starting in 2009Q3, the macro time path follows what Economy.com projects as the most likely future time path for the economy.¹⁸

Our model-based analysis derives estimates holding constant many other factors in the economy. The research strategy is to focus on the three aspects of the UI program (regular UI benefits, extended benefits and EUC, and UI taxes) in both the steady growth environment and in the recessionary environment. To do this, we simulate the effects of each factor in such a way that its separate contribution to macro performance can be isolated. Thus, the effects of regular UI benefits are simulated first under the assumption of no EB or EUC program, and benefit payouts are simulated with and without UI taxes. The extended benefit programs are then added to regular UI to yield estimates of their marginal effect in addition to that of regular UI. Because UI taxes operate with long lags, these are then added to the simulations to produce results with all aspects of the UI program activated.

The method of holding constant the effects of variables not included in a particular simulation is to keep that variable constant in real terms throughout all future periods. Where it is appropriate in Chapter 4, we discuss further the details of how variables are treated in specific simulations.

¹⁸ To avoid using confusing terminology, this time path will be termed the “future time path”. When Economy.com provides forecasts for its clients, it projects five different future time paths, three of which are more pessimistic than the time path it deems most likely. The most likely time path is judged to have a 50 percent probability of occurring. For its clients, this most likely time path is termed the “baseline time path”, but we will not use this terminology in the present report.

CHAPTER 4.

SIMULATION RESULTS

This chapter summarizes the results of simulations of the U.S. economy with and without UI during a severe recession as experienced in recent years. Within the deep recession simulations, four sets of results are summarized.

- **Path 1** traces the time paths of macro variables when regular UI benefits and associated taxes respond to changes in unemployment.
- **Path 2** adds benefit payments from two extended benefit programs: Emergency Unemployment Compensation (EUC) and Federal-State Extended Benefits (EB).
- **Path 3** traces the time path of macro variables with just regular UI benefits responding to unemployment (UI taxes not responding).
- **Path 4** traces the time path when both regular UI benefits and regular UI taxes are held constant in real terms at their pre-recession level.

By comparing Path 2 with Path 1, one can assess the additional stabilizing effects of extended benefits. By comparing Path 1 with Path 3, one can estimate the extent to which UI taxes lessen the stabilizing effect of regular UI benefits. By comparing Path 4 and Path 3, one can assess the response of regular UI benefits to the recession and how much the time paths of real GDP and employment differ when regular UI benefits respond.

The four recession time paths are simulated for 51 “state” programs (i.e., including the District of Columbia).¹⁹ The simulations extend through 2020, but primary emphasis is placed on results that extend through 2010Q2. By the end of 2010, real output and employment have started to increase while the unemployment rate has also stabilized and started to decline. Given the amount of state-level and time period detail generated for each variable, the chapter necessarily summarizes the results at a high level of aggregation. Again, the model uses quarterly data for GDP, UI benefits and UI taxes but all measured at annual rates.

¹⁹ Economy.com does not support complete models for Puerto Rico and the Virgin Islands, two other jurisdictions within the state UI program.

After examining the stabilizing role of the regular UI program, the model then adds the extended benefit programs to estimate the added stabilizing effects that they provide. While separate detail for EUC and EB is generated in these “extended benefit” simulations, the text emphasizes just the combined effects of EUC and EB. Readers should understand, however, that the vast majority of extended benefits are EUC benefits. In historic data currently available (through the early months of 2010), the highest quarterly payout of EB was the \$2.8 billion paid during the third quarter of 2009 while EUC benefits totaled \$11.4 billion during the same quarter. Between 2008Q3 and 2009Q4 cumulative EUC benefits totaled \$51.0 billion while cumulative EB benefits totaled \$6.9 billion, or about 12 percent of their combined total.

While the recession simulations are of principal interest, the steady growth simulations provide one way to gauge the impact of a recession on real output and employment. The steady growth simulations are described first.

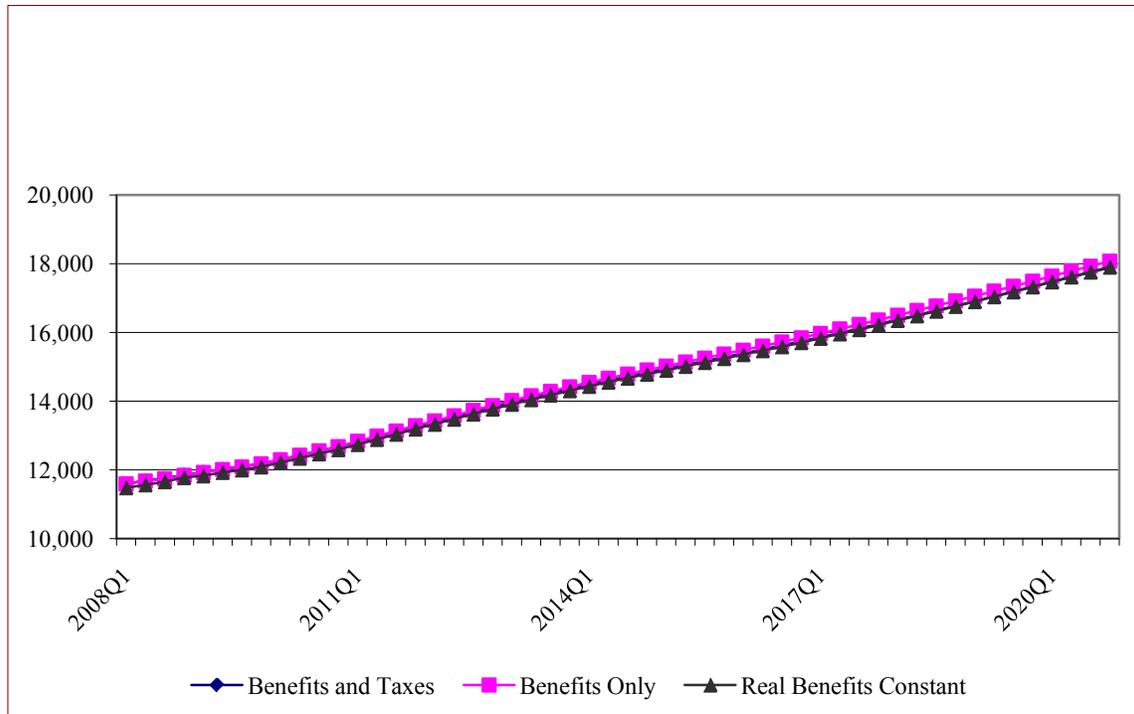
4.1 The Steady Growth (No-recession) Simulations

As noted, the performance of the UI program should be measured against a counterfactual simulation where the economy experiences steady growth. This simulation has three variants: 1) growth with regular UI benefits and taxes functioning, 2) growth with regular UI benefits responding but UI taxes constant, and 3) growth with regular UI benefits and taxes both constant in real terms. Each of these three simulated paths has a counterpart in later simulations where the recession started in 2007Q4 and follows a recessionary path into later periods. The recession path closely approximates the economy’s actual path through the second quarter of 2009 and then follows the most likely path (as judged by Economy.com) for later quarters through 2020.

The three time paths of the baseline scenario are depicted in Chart 4.1. Note that their proximity is practically identical. The lines are so similar that the graph does not display three distinct series. In a situation where unemployment varies within a narrow range, the

quantitative effect of the benefits and taxes of the regular UI program are very small. The chart shows that with just benefits but no UI taxes, real output is on the highest path as would be expected, but the differences are tiny. Real UI benefits average 0.23 percent of real GDP between 2007Q4 and 2020Q4.

Chart 4.1 Steady Growth, Real GDP Time Paths, 2008 to 2020



Source: Simulations with the Economy.com model. Data in billions of 2000 dollars.

While the aggregate real GDP growth paths are very similar, clear differences in the size of benefit payouts are observed in state-level data. In comparisons to be repeated later in the chapter, the ratios of real benefits to real output across the states revealed large contrasts. For the 10 states with the highest reciprocity rates, real regular UI benefits averaged 0.38 percent of real GDP compared to 0.12 percent for the 10 with the lowest reciprocity rates. These contrasts are sizeable even in a steady growth scenario. When the source of the contrast is examined, it is found to be differences in reciprocity rates (the ratio of UI beneficiaries to unemployment). The unemployed in high-reciprocity states are more than twice as likely to receive regular UI benefits when compared to the unemployed in low-reciprocity states. The simple averages of the reciprocity rates for the

two groups of states in 2007 were 0.470 versus 0.193. In contrast, there is very little difference in the average replacement rates (weekly benefits divided by weekly wages). During 2007, the average replacement rate across the 10 high-recipient states was 0.348 while it was 0.338 across the 10 low-recipient states.²⁰

The preceding comparison of states with highest recipient versus those with lowest recipient provides a convenient way to summarize state-level detail without explicitly displaying 51 state statistics for a particular variable such as real GDP. Recall from Chart 2.2 of Chapter 2 that multiyear patterns of recipient rates are quite stable for individual states. Focusing upon states at the extremes of the recipient rate distribution provides a convenient way to highlight contrasts among the state programs. This device for summarizing contrasts across the states will be employed later in the chapter.

4.2 Recession Simulations

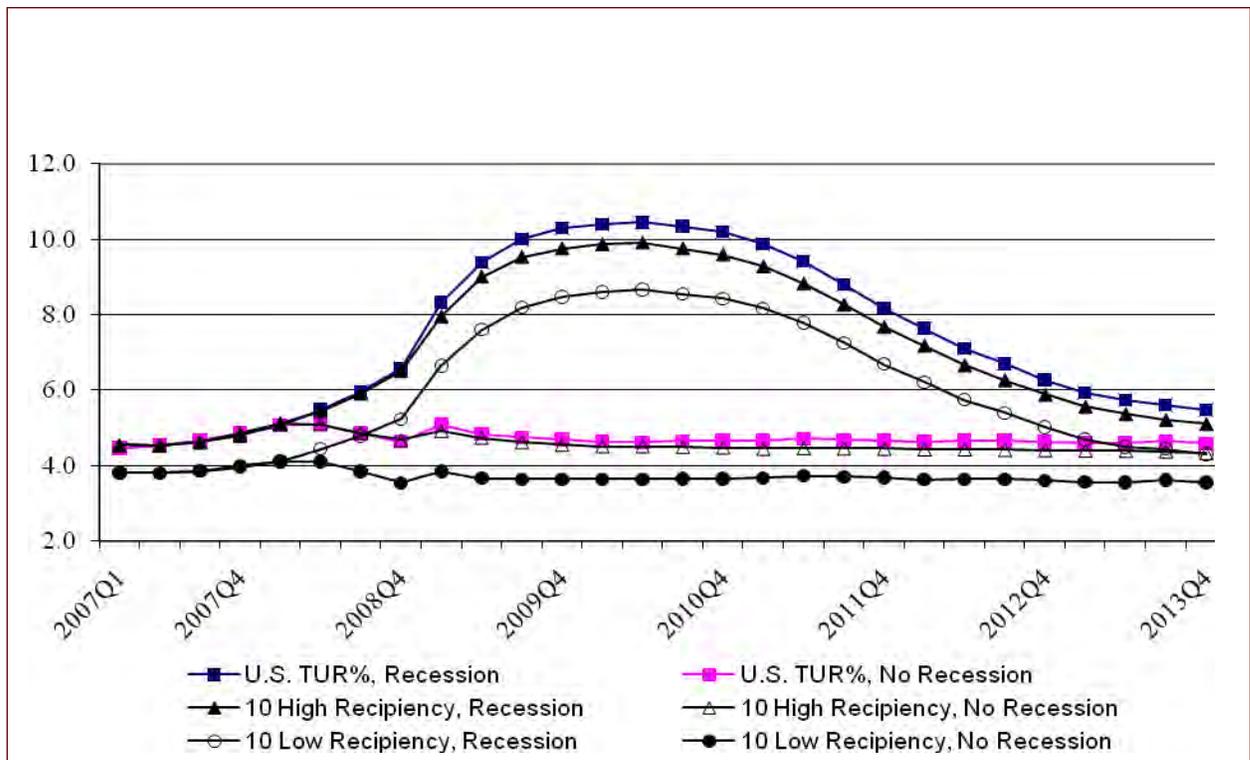
In 2008-2009, the U.S. economy experienced the most serious recession of the post-World War II years. Many observers are describing this period as the “great recession”. The national unemployment rate averaged 10.0 percent during October-December 2009 and 16 state-level unemployment rates exceeded 10.0 percent during the same quarter. The annual average U.S. unemployment rate (TUR) for 2009 was roughly twice its level in 2007 (i.e., 9.3 percent compared to 4.6 percent).

While recession-related increases in unemployment have occurred in all states, the most severe increases in unemployment and associated reductions in employment have occurred in the states from two of the nine U.S. Census Bureau divisions, the East North Central and Pacific divisions. Monthly unemployment rates during 2009 have averaged at least a full percentage point and often two percentage points above the national average. The national average unemployment rates for the two divisions were respectively 10.7 percent and 11.1 percent. Higher unemployment has most severely affected youths, minorities, men, and those with low educational attainment.

²⁰ High recipient states: Alaska, Connecticut, Idaho, Massachusetts, New Jersey, Pennsylvania, Rhode Island, Vermont, Washington D.C., and Wisconsin. Low recipient states: Arizona, Colorado, Florida, Mississippi, New Hampshire, Oklahoma, South Dakota, Texas, Utah, and Virginia.

Chart 4.2 displays six time series (three pairs) of unemployment rates (TURs) from the Economy.com state model. These quarterly data cover the seven years 2007 to 2013 and all series are from simulations performed for this research project. The national series are actual historic data from 2007Q1 to 2009Q2, while later periods are model-based projections. The chart displays averages for the 10 states with highest reciprocity and the 10 with lowest reciprocity. The time profiles of the three steady-growth (or no recession) series and the three recession series are very similar. In the recession series, the peak unemployment rate is reached in 2010Q2. This quarter also has the highest unemployment rate for 39 of the 51 state-level projections.²¹

Chart 4.2. Unemployment Rates in the Recession and No Recession Scenarios, 2007Q1 to 2013Q4



Source: Simulations with the Economy.com state model. Unemployment as a percent of the labor force.

²¹ Of the 12 states where the highest TUR occurs in another quarter, that quarter is 2009Q4 for three, 2010Q1 for four, and 2010Q3 for four. The other highest TUR occurs in Texas in 2011Q2.

Note in Chart 4.2 that both 10-state average TURs are below the national average, particularly in the low-recipient states. It should also be noted that the TURs in the recession simulations remain above those in the no recession simulations not just through 2013 but also for all years through 2020 (not shown).

The sizes of the real output and employment losses are noteworthy. In 2010Q2, the quarter of peak unemployment, real GDP in the recession simulation is 7.5 percent lower than in the no-recession simulation. Total employment during 2010Q2 in this simulation falls 9.6 million (6.7 percent) below employment in the no recession simulation and the TUR is more than double its no-recession counterpart (10.38 versus 4.62 percent). These large declines in real GDP and employment help to point out the need for having a robust UI program to offset the recession's negative effects on families and individuals.

While the decrease in real output during 2008-2011 is to be expected, the recession also lowers real GDP in all later periods of the 2010-2020 decade. This impact on the growth path arises in part from reduced business fixed investment during the recession, which reduces the size of the capital stock. In the Economy.com model, the recession has long-run effects on real GDP and employment as well as short-run effects.

It may be instructive to describe the size of the reductions in real GDP caused by the recession. In 2008Q2, the downward deviation from the steady growth path projected in 2007Q4 is 0.9 percent, but it then rapidly increases to 3.5 percent at the end of 2008, 6.5 percent at the end of 2009, and 8.0 percent at the end of 2010. The downward deviation then decreases, but only to 7.8 percent at the end of 2011 and 6.7 percent at the end of 2012. After 2012, the convergence of the recession time path towards the no recession time path ceases. The effect of the recession on the growth path, in other words, is very large. The deviation in real GDP between the no-recession and the recession growth paths during the three recession-impacted years 2009-2011 averages \$905.5 billion. This represents about 7.0 percent of no-recession real GDP.

The contrasting growth paths are strongly influenced by four changes made in the Economy.com model between the 2007Q4 version and the 2009Q2 version. In light of economic developments during late 2008, the changes identified below were made to the forecasting model that had been used at the end 2007. In later discussions, the “no-recession model” used at the end of 2007 will be termed the “2007Q4 version”, and the “recession model” used in mid-2009 will be termed the “2009Q2 version”. Key differences between the two models are the following.

- 1) The future growth rate of the labor force was reduced.²²
- 2) The full employment unemployment rate was revised upward from 4.2 percent of the labor force to 5.5 percent.²³
- 3) Household savings rate was revised upward to 7.5 percent of household disposable income, an increase from 6.5 percent.
- 4) The recession reduced business fixed investment, hence the size of the total stock of machinery and equipment.

All four factors combine to produce lower growth paths for real GDP and employment and a higher unemployment rate during the 2010-2020 decade. As a result, the post-recession growth path of the 2009Q2 model remains substantially below the no-recession steady growth path of the 2007Q4 model.

4.3 Regular UI Benefits

The recession causes a large response in UI benefit payments. Regular UI benefits increase noticeably in 2008Q1 and grow strongly over the next six quarters. Nominal benefits (measured at an annual rate) increase from \$39 billion in 2008Q1 to \$96 billion in 2009Q3 and 2009Q4. Thereafter regular UI benefits decrease as the economy recovers and unemployment moves downward. Total nominal benefits in 2010Q4 decrease to \$76 billion and then to \$56 and \$45 billion at the end of the following two years. Measured in real terms (deflated by the GDP deflator based on the year 2000) real benefits in 2012Q4 are \$35.1 billion, roughly the same as during 2008Q2. Because the unemployment rate

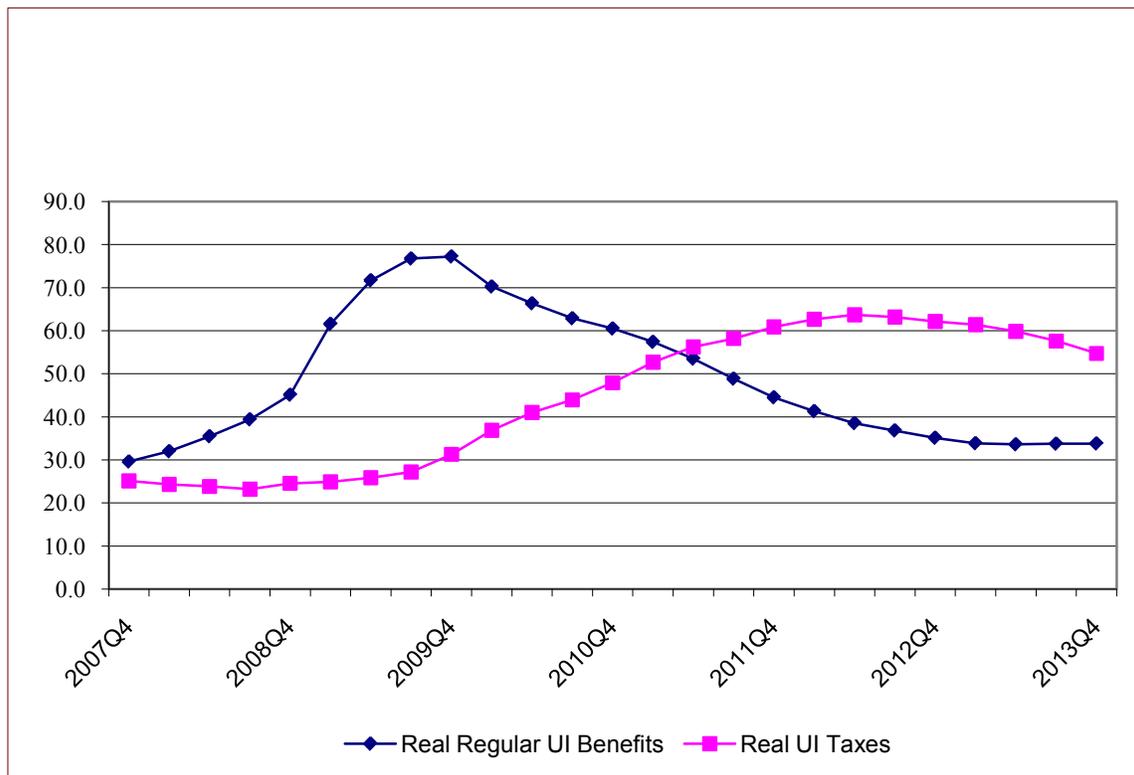
²² Labor force growth in the 2010-2020 decade was reduced substantially, from 1.3 percent per year to 0.7 percent. The analysis of changing labor force participation patterns is summarized in Marisa Di Natale and Sophia Koropecy, “Forecasting U.S. Labor Force Participation,” *Moody’s Regional Financial Review*, (November 2007), pp 20-27.

²³ The change reflects an assumed increased rate of worker dislocation from jobs and reduced geographic mobility due to the decline in the value of homes and an associated reluctance to move.

never returns to its pre-recession level, real regular UI benefit payments never fall below \$33 billion.

Chart 4.3 displays the quarterly time paths of real regular UI benefits and UI taxes (nominal values deflated by the GDP deflator) from the start of the recession (2007Q4) to the period when unemployment stabilizes at 5.4 percent (2013Q4). Note how real benefits increase sharply during the first three calendar quarters of 2009 and then descend gradually after 2009Q4. By the end of 2013, real regular UI benefits have returned to their level of early 2008. Chart 4.3 also clearly displays the response of UI taxes. Aggregate real UI taxes start to exceed \$30 billion in 2009Q4, reach a peak above \$60 billion in 2012Q2, and then start decreasing. This time pattern reflects the long (4-year) lags in the tax rate equations discussed in Chapter 2.

Chart 4.3. Real Regular UI Benefits and UI taxes, 2007Q4 to 2013Q4



Source: Simulations with the Economy.com state model. Data in billions of 2000 dollars.

The recession simulation with regular UI benefits responding to unemployment shows a strong response in all states. Comparing the 10 states with the highest with the 10 with the lowest reciprocity rates, the percentage response of benefits is larger in states with low reciprocity. Between 2007Q3 (the pre-recession quarter) and 2010Q2 (the period of highest unemployment) real benefits grew by 136 percent nationally (from \$28.1 to \$66.3 billion at an annual rate). Over the same period, the respective growth percentages for the high-reciprocity and the low-reciprocity states were 113 and 232 percent.

Contributing to the increase in regular UI benefit payouts in 2008 and 2009 is a measurable increase in the reciprocity rate as unemployment increases. Nationally the reciprocity rate increases from 0.32 in 2007Q3 to 0.39 in 2009Q3 before starting to decline. By 2010Q2, the reciprocity rate has declined to 0.32, its pre-recession level. For the 10 high-reciprocity states the increase in the reciprocity rate between 2007Q3 and 2009Q3 is much smaller (from 0.47 to 0.50), and the subsequent decrease to 2010Q2 is larger (from 0.50 to 0.42). For the 10 low-reciprocity rate states, the average reciprocity rate in 2007Q3 is 0.19, growing to 0.28 by 2009Q3, and then decreasing to 0.24 in 2010Q2. On average, the negative feedback from lagged unemployment onto reciprocity in the current year is stronger in high-reciprocity states when compared to the low-reciprocity states. As a result, the reciprocity rate decreases more in the later periods of a recession in high-reciprocity states when compared to low-reciprocity states.

Following the onset of a recession and the associated increase in benefit payouts, a negative feedback occurs in regular UI benefit payouts due to benefit exhaustions. Since maximum potential benefit duration is 26 weeks in all but two states,²⁴ this negative feedback starts to affect reciprocity even before the highest unemployment rate is reached. The simulations provide strong evidence of this negative feedback.²⁵ Nationally the highest volume of real regular UI benefit payouts occurs during 2009Q4, as it does for both the 10 high-reciprocity and the 10 low-reciprocity states. By 2010Q2, real regular UI payouts nationwide had decreased by 14 percent from their peak in 2009Q4 (or by

²⁴ In Massachusetts and Montana, the maximum durations are 30 and 28 weeks respectively.

²⁵ This negative feedback is present in nearly every state. See Panel B in Table 2.2 of Chapter 2 and Table A2 in Appendix A which displays the reciprocity rate regression equations for each state.

\$10.9 billion at an annual rate). The comparable decreases in the 10 high-recipientcy and the 10 low-recipientcy states were 13 and 8 percent, respectively.

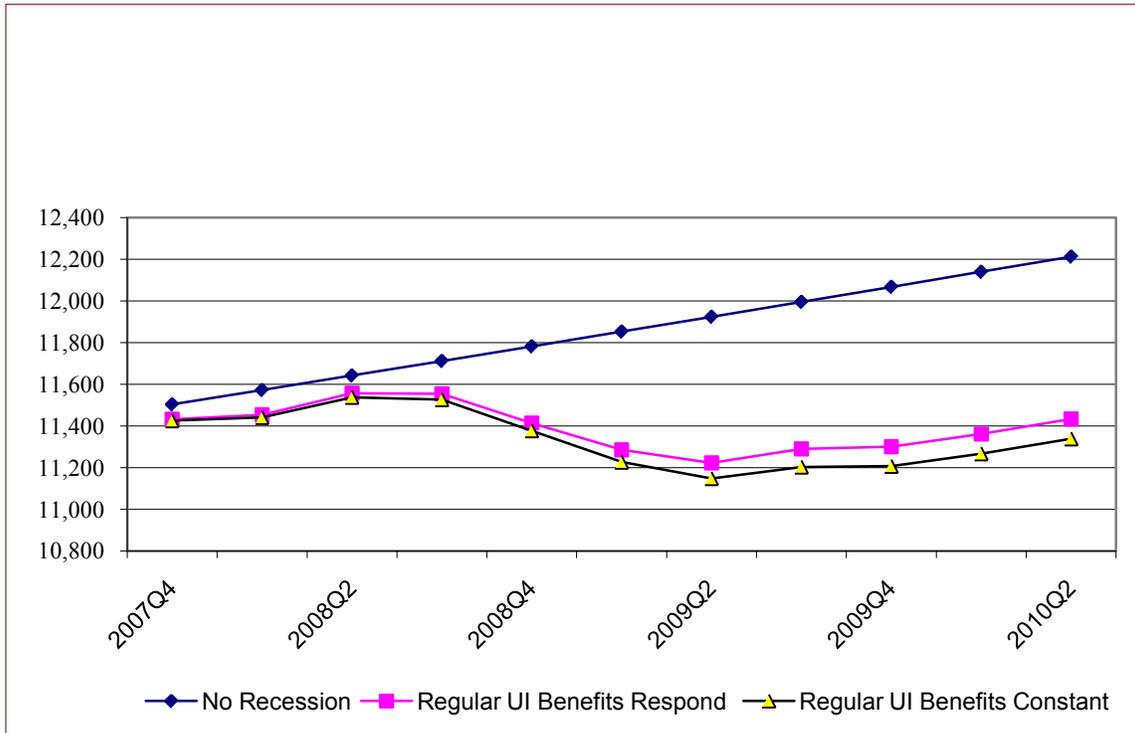
The presence of regular UI benefit payments measurably reduces the severity of the economic downturn. To estimate the size of this effect, we compare two time paths of real GDP:

- 1) A recession where regular UI benefits respond to the decrease in real GDP and the increase in unemployment.
- 2) A recession where regular UI benefits are held constant in real terms.

Note that the second time path allows UI benefits to increase, but only in line with changes in the GDP price deflator. Also, rather than remove all regular UI benefits and cause a large negative effect on aggregate demand, output, and employment, this procedure allows the component of demand coming from the volume of pre-recession UI benefit payments to be unchanged during the recession.

Chart 4.4 displays the three time paths for the period 2007Q4 to 2010Q2. The failure of real output to return to the no recession time path projected by the Economy.com model of 2007Q4 was discussed previously. This raises a question of how to project the level of real GDP in a no-recession environment. The growth parameters in the 2007Q4 model were more optimistic than in the recession model of 2009Q2. The simple expedient that underlies Chart 4.4 is to assume a quarterly growth rate of 0.6 percent (2.4 percent annual growth) and project this growth for every quarter starting in 2007Q4. This top line gives the reader a guide to the size of the decline in output. Because the no-recession time path is not a model-based projection, the shortfall of actual GDP from the no-recession GDP should be viewed as illustrative of the recession-related decline in real output. The downward deviation is large, averaging about \$800 billion in 2009 and 2010. An indication of the seriousness of the recession is that real GDP does not return to its level of 2007Q4 until the middle of 2010.

Chart 4.4. Three Time Paths of Real GDP, 2007Q4 to 2010Q2



Source: Recession time paths from the Economy.com model. The no-recession time path derived at the Urban Institute assuming 0.6 percent growth per calendar quarter. Data in billions of 2000 dollars.

Chart 4.4 shows that regular UI benefits have a stabilizing effect, with real GDP consistently higher when real UI benefits respond rather than remaining constant. Between 2008Q3 and 2010Q2, for example, real GDP averages \$71 billion higher when real benefits respond compared to constant real benefits.

Table 4.1 summarizes the time paths of real GDP and real regular UI benefits from 2007 to mid-2010. Columns [1]-[3] display quarterly data on the three time paths of real GDP shown in Chart 4.4. Column [4] shows the deviation between the stable growth scenario and the time path where real regular UI benefits do not respond to the recession. This deviation averages \$800 billion during 2009 and 2010.

Table 4.1. Time Paths of Real GDP and Real Regular UI Benefits, 2007Q1 to 2010Q2

	Real GDP, Stable Growth [1]	Real GDP, Recession, Regular UI Responds [2]	Real GDP, Recession, Regular UI Constant [3]	Stable Growth Less Const. UI [1]-[3] [4]	Real GDP, Responsive UI less Const. UI [2]-[3] [5]	Real Regular Benefits [6]	Change in Benefits From 2007Q3 [7]	Real GDP Deviation/ Real Ben. Deviation [5]/[7] [8]	Share of Deviation Reduced by Regular UI [5]/[4] [9]
2007Q1	11,424	11,424	11,424	0	0	27.0	-		
2007Q2	11,370	11,370	11,370	0	0	27.5	-		
2007Q3	11,434	11,434	11,434	0	0	28.1	-		
2007Q4	11,503	11,432	11,425	78	7	29.6	1.5	4.5	0.09
2008Q1	11,572	11,453	11,441	131	12	32.0	3.9	3.2	0.09
2008Q2	11,641	11,557	11,537	104	20	35.5	7.4	2.6	0.19
2008Q3	11,711	11,553	11,526	185	27	39.4	11.3	2.4	0.15
2008Q4	11,782	11,414	11,377	404	37	45.1	17.1	2.2	0.09
2009Q1	11,852	11,285	11,226	626	59	61.6	33.5	1.7	0.09
2009Q2	11,923	11,222	11,148	775	74	71.7	43.6	1.7	0.10
2009Q3	11,995	11,289	11,203	792	86	76.7	48.7	1.8	0.11
2009Q4	12,067	11,300	11,207	860	93	77.2	49.2	1.9	0.11
2010Q1	12,139	11,361	11,267	873	94	70.2	42.2	2.2	0.11
2010Q2	12,212	11,434	11,338	874	95	66.3	38.3	2.5	0.11
2008Q3 - 2010Q2 Av.	11,960	11,357	11,287	674	71	63.5	35.5	2.0	0.11

Source: Simulations with the Economy.com model. Data measured in billions of 2000 dollars. Column [1] derived at the Urban Institute.

Two comments about the deviation in column [4] can be offered. First, note how the deviation grows between 2008Q3 and 2009Q2. While the NBER placed the cyclical peak in 2007Q4, the downward trajectory in real GDP gains momentum later, during the last half of 2008. Second, the caveat about the derivation of stable growth path needs to be repeated. This was projected at the Urban Institute and not derived from the Economy.com model. The projection assumes the economy after 2007Q3 grows at a rate of 0.6 percent each quarter. Readers should view the deviations in column [4] as illustrative.

Column [5] shows the real GDP deviation when real regular UI benefits respond to the recession compared to constant real UI benefits. This deviation grows throughout the quarters of 2008 and 2009, reaches \$93 billion in 2009Q4, and averages more than \$90 billion during late 2009 and 2010.

Columns [6] and [7] in Table 4.1 focus on real regular UI benefits. The pre-recession level (2007Q3) of \$28.1 billion grows to \$77.2 billion (nearly tripling) by 2009Q4. Real regular benefits then decline to \$66.3 billion by 2010Q2. Column [7] shows the increases from the pre-recession level of \$28.1 billion. This deviation reaches \$49.2 billion in 2009Q4. The deviation still exceeds \$30 billion in mid-2010.

Column [8] shows the ratio of the real GDP deviation attributable to UI benefits (column [2] less column [3] or column [5]) to the deviation in real UI benefits (column [7]). This can be interpreted as the multiplier effect of UI benefits. For most periods, this ratio ranges between 1.7 and 2.5. It shows the real GDP increment associated with each added real dollar of regular UI benefits.

Note that these “multiplier” estimates are very large in the earliest periods, e.g., 4.5 in 2007Q4, but then decline to the more plausible 1.7 to 2.5 range starting in 2008Q3. Note also that these estimates are based upon two simulated time paths from the 2009Q2 version of the Economy.com model. Readers are reminded that the results displayed in Table 4.1 are built up from state-level detail.

The bottom row of Table 4.1 summarizes results for the eight calendar quarters from 2008Q3 to 2010Q2. The average downward deviation of real GDP averages \$674 billion while the increment to real GDP associated with increased UI benefits averages \$71 billion. The UI multiplier effect on real GDP averages 2.0 and the share of the downward deviation in real GDP filled by responsive UI benefits averages 0.11.

One exploration into the linkage between UI benefits and aggregate demand is to trace the evolution of real disposable income of households (RYD). This series was traced for the two simulations summarized in columns [2] and [3] of Table 4.1. When real UI benefits respond to the recession, RYD is also noticeably higher compared to RYD when real benefits are constant. The time paths of the deviations in RYD from these two simulations strongly resemble the real GDP deviations shown in column [5] of Table 4.1. The RYD deviations grow from \$7 billion in 2007Q4 to \$128 billion in 2009Q4, averaging \$122 billion during 2009Q3-2010Q2. For the same period real regular UI benefits were higher by an average of \$44 billion. The increase in real UI benefits accounted for more than one-third of the increment in RYD.

To summarize, when real regular UI benefits respond to the recession they raise the level of real GDP measurably above the level when real benefits are constant. During the eight quarters of 2008Q3-2010Q2, real UI benefits cause an increment to real GDP that averaged \$71 billion and reduced by about 11 percent the downward deviation in real GDP that would have occurred had real UI benefits not responded. The multiplier effect of increased real benefits on real GDP averaged 2.0 during these eight quarters.

Since reciprocity rates vary widely across states, it is relevant to examine the differing state-level effects of UI on real GDP. Table 4.2 summarizes and contrasts selected estimates from the 10 high-reciprocity and 10 low-reciprocity states. This state-level analysis with 2009Q2 Economy.com model uses selected details from individual states that underlie the national aggregates summarized in Table 4.1. The analysis emphasizes the effects of real regular UI benefits on real GDP and does not attempt to project real GDP under a no-recession scenario.

Table 4.2 summarizes these results with details in Panel A for the high-recipient group and Panel B for the low-recipient group. Four features of Table 4.2 are noteworthy. First, states in the low-recipient group are on average larger. Their combined real GDP is 52 percent larger.²⁶ Second, both groups reach their real output trough in 2009Q2. Third, the level of real UI benefits shows a greater contrast in 2007 than in 2010. The negative feedback from the lagged TUR (due to exhaustions and lower monetary eligibility) is larger on average in the high-recipient states. Thus, aggregate real benefits in the low recipient group are less than half of real benefits in the high-recipient group in late 2007, but the proportion increases to 0.70 by early 2010. The increase in real benefits after 2007Q3 averages \$7.26 billion and \$5.91 billion for the two groups respectively. Fourth, the multipliers for regular UI benefits are similar across the two groups of states and average 1.9 and 2.0, respectively. These multipliers are similar to the national multipliers estimated earlier in Table 4.1. The principal conclusion of this state-level analysis is that the cyclical performance of regular UI benefit payouts exhibits a smaller contrast than the contrast in average recipient rates discussed in Chapter 2.

²⁶ Their employment is 59 percent larger.

Table 4.2. Real GDP and Real UI Benefits in High and Low Reciprocity States, 2007Q3 to 2010Q2

	Real GDP, Regular Responds [1]	Real GDP, Regular UI Constant [2]	Real GDP, Responsive UI - Constant UI [1]-[2] [3]	Real Regular UI Benefits [4]	Change in Benefits from 2007Q3 [5]	Real GDP Deviation/ Real Ben. Deviation[3]/[5] [6]
Panel A. 10 High-Reciprocity States						
2007Q3	1,714.0	1,714.0	0.0	6.89	-	-
2007Q4	1,712.3	1,710.9	1.4	7.23	0.34	4.3
2008Q1	1,719.2	1,716.4	2.7	7.80	0.91	3.0
2008Q2	1,736.4	1,732.4	4.0	8.44	1.55	2.6
2008Q3	1,735.5	1,730.0	5.5	9.28	2.39	2.3
2008Q4	1,716.3	1,708.8	7.5	10.55	3.66	2.1
2009Q1	1,700.4	1,689.0	11.4	13.54	6.65	1.7
2009Q2	1,694.5	1,679.9	14.7	15.85	8.96	1.6
2009Q3	1,703.1	1,686.2	16.9	16.78	9.89	1.7
2009Q4	1,702.6	1,684.5	18.2	16.81	9.92	1.8
2010Q1	1,706.0	1,687.6	18.4	15.68	8.79	2.1
2010Q2	1,714.1	1,695.5	18.6	14.72	7.83	2.4
Average						
08Q3-10Q2	1,709	1,695	13.9	14.15	7.26	1.9
Panel B. 10 Low-Reciprocity States						
2007Q3	2,596.8	2,596.8	0.0	3.19	-	-
2007Q4	2,596.3	2,595.0	1.3	3.48	0.28	4.7
2008Q1	2,605.9	2,603.7	2.2	3.85	0.66	3.4
2008Q2	2,627.9	2,624.6	3.3	4.36	1.17	2.8
2008Q3	2,631.1	2,626.6	4.5	4.96	1.76	2.6
2008Q4	2,600.3	2,594.4	6.0	5.77	2.57	2.3
2009Q1	2,588.1	2,578.6	9.5	8.31	5.12	1.9
2009Q2	2,578.5	2,566.5	12.0	9.88	6.68	1.8
2009Q3	2,599.2	2,585.0	14.2	11.00	7.81	1.8
2009Q4	2,608.7	2,592.8	15.9	11.48	8.29	1.9
2010Q1	2,632.2	2,615.8	16.4	10.87	7.67	2.1
2010Q2	2,656.0	2,639.0	17.1	10.54	7.35	2.3
Average						
08Q3-10Q2	2,612	2,600	11.9	9.10	5.91	2.0

Source: Simulations with the Economy.com model. Data measured in billions of 2000 dollars.

4.4 Extended UI Benefits

In December 2009, Emergency Unemployment Compensation or EUC beneficiaries exceeded 4.0 million persons per week (more than 80 percent of the number receiving regular UI benefits). By April 2010 EUC beneficiaries averaged 5.2 million and exceeded the 4.6 million recipients of regular UI.

In April 2010, the Federal-State Extended Benefits (EB) program was providing compensation in 38 states with weekly recipients averaging more than 0.2 million. This number was only about one-third the number of EB recipients in October 2009. Roughly half the states in 2009 enacted temporary triggers to activate EB based on the total unemployment rate (TUR) from the household labor force survey. These temporary triggers are slated to expire with the expiration of the stimulus package (American Recovery and Reinvestment Act) at which time the number of active EB programs in the states will likely decrease to fewer than 10.

Our simulations combine EUC and EB into a single extended benefits estimate. At the time the simulations were specified, quarterly data existed from 2008Q3 through 2009Q3. For each state-quarter observation, EUC plus EB weeks compensated was expressed as a proportion of regular UI weeks. Since weekly benefits for these programs are based on regular UI weekly benefits, we assumed the increase in payments due to extended benefits matches the proportional increase in weeks compensated from the two extended benefit programs.

Other important assumptions for the combined extended benefits program were that the proportions of weeks compensated for both EUC and EB in 2009Q3 were assumed to hold during 2009Q4. Then a phase-down period was assumed during the first half of 2010. The combined extended benefit proportion in each state during 2010Q1 was assumed to be two-thirds of its proportional size during 2009Q3, and one-third during 2010Q2. For the later quarters of 2010, the combined extended benefits proportion was assumed to be zero. While this ignores the 11 states with permanent TUR triggers and

associated payments, these 11 states are generally small with modest aggregate importance.²⁷ The simulations also do not include the further extensions of EUC and EB eligibility in 2009 and 2010 that were enacted between November 2009 and April 2010. By assuming a phase-down in early 2010, the simulated payouts of both EUC and EB understate actual payouts in 2010.

In examining the combined effects of EUC and EB, it should be noted that neither program has exhibited a truly automatic response to higher unemployment as has the regular UI program. Federal legislation in 2008, 2009, and 2010 created and then extended the EUC program and greatly expanded the scope of EB. In contrast, the increases in regular UI benefit payments have occurred automatically without any need for legislation. While we acknowledge this distinction, all three aspects of UI have been providing cash benefits to large numbers with unemployment. The simulations that include EUC and EB benefits assume these benefits have the same kinds of effects on household income and spending as regular UI benefits. For the two extended benefit programs, the added payouts are assumed to occur between 2008Q3 and 2010Q2.

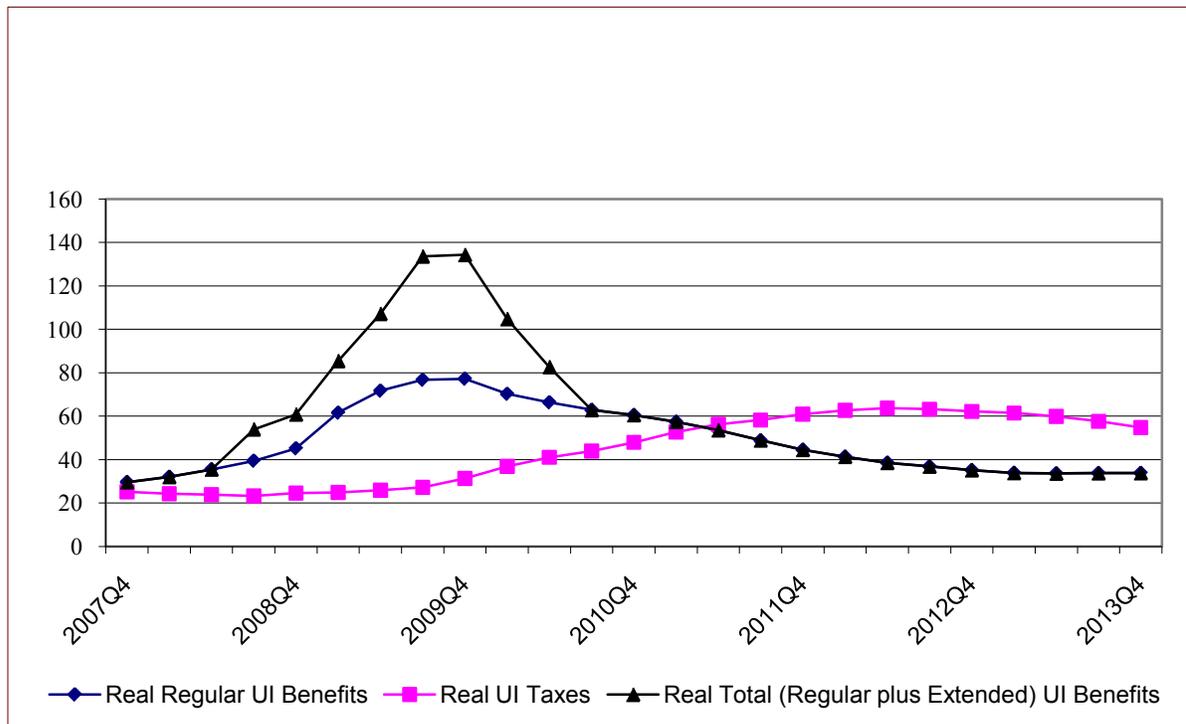
Extended benefits from EUC and EB combined are substantial. During the third and fourth quarters of 2009 they were assumed to add some 74 to 75 percent to regular UI benefit payments and some 49 to 50 percent during 2009Q2 and 2010Q1. Under the statutes operative before November 2009, these benefits were scheduled to phase-out during the first half of 2010.

Chart 4.5 adds combined extended benefits to the display shown previously in Chart 4.3. As in Chart 4.3, all variables are measured in billions of 2000 dollars. The chart vividly illustrates how responsive the combination of regular plus extended benefits was during 2009Q3 and 2009Q4 when their total approached \$135 billion. The total increase in real benefits for these two periods vis-a-vis 2007Q3 exceeds \$100 billion. Note that taxes in Chart 4.5 refer only to the state taxes that support regular UI benefits. In effect, the

²⁷ The eleven are Alaska, Connecticut, Kansas, New Hampshire, New Jersey, New Mexico, North Carolina, Oregon, Rhode Island, Vermont, and Washington. In 2008 they represented 13.6 percent of UI employment.

simulations assume EUC and EB benefits are funded as a part of the overall federal budget deficit.

Chart 4.5. Real UI Benefits and Taxes, 2007Q4 to 2013Q4 (\$billions)



Source: Simulation results with the Economy.com model. Data in billions of 2000 dollars.

To estimate the effects of extended benefits, the time paths of two simulations are compared, one with just real regular UI benefits and one with total (regular plus extended) UI benefits.²⁸ Table 4.3 summarizes the findings with columns [1], [2] and [3] showing real GDP and column [4] showing real combined extended benefits. Finally column [5] again displays a multiplier, the response of real GDP to the payment of real extended benefits.

Four features of Table 4.3 are noteworthy. First, extended benefits have measurable effects on real GDP. The largest effects occur during 2009Q3 and 2009Q4, but the total increase in real GDP averages more than \$55 billion between 2008Q3 and 2010Q2. Second, in the eight quarters when these benefits are paid (column [4]), they grow rapidly

²⁸ Both simulations included UI taxes that respond to changes in regular UI benefits.

and then decrease rapidly. Note that the decrease in 2010 is partly a result of assumptions about a phase-down made in late 2009 before the recent extensions of EUC and EB. Real benefits during 2010Q1, for example, totaled \$65 billion (in 2000 dollars measured at annual rates) not \$33.8 billion. Thus, real extended benefits are substantially understated during 2010Q1 and 2010Q2.

Table 4.3. Real GDP and Real Extended Benefits, 2008Q1 to 2010Q2

	Real GDP, With Extended Benefits [1]	Real GDP, No Extended Benefits [2]	Real GDP, Effect of Extended Benefits = [1]-[2] [3]	Real Extended Benefits [4]	Real GDP Deviation/Real Ext. Benefits = [3]/[4] [5]
2008Q1	11,454	11,454	0.0	0.0	0.0
2008Q2	11,558	11,558	0.0	0.0	0.0
2008Q3	11,577	11,555	21.8	14.5	1.5
2008Q4	11,442	11,416	26.4	15.7	1.7
2009Q1	11,325	11,287	38.8	23.7	1.6
2009Q2	11,277	11,222	54.9	35.1	1.6
2009Q3	11,368	11,287	81.7	56.3	1.5
2009Q4	11,381	11,291	90.1	56.3	1.6
2010Q1	11,424	11,346	77.9	33.8	2.3
2010Q2	11,484	11,418	66.2	15.7	4.2
Average					
08Q3-10Q2	11,410	11,353	57.2	31.4	2.0

Source: Simulation results with the Economy.com model. Data in billions of 2000 dollars.

Having a payment apparatus already in place (the administrative facilities of the state UI programs) permits a rapid build-up and rapid decrease in extended UI benefits. Third, the model suggests the multiplier for real extended benefits is somewhat smaller than for regular UI benefits, but the difference is modest. The average in Table 4.1 was estimated to be 2.0 and in Table 4.3 it is also 2.0. While the smallest “multiplier” in column [8] of Table 4.1 is 1.7, the smallest multiplier in column [5] of Table 4.3 is 1.5.

Extended benefits provide an important addition to total benefit payments in all states during the 2009Q2-2010Q1 period. Total simulated EUC plus EB payouts represented 61 percent of regular UI payments during these four quarters. For the 10 high-recipientcy and

the 10 low-recipient states the corresponding increases were 59 and 67 percent, respectively. Measurable additions to disposable income, especially during these four quarters, were present in all states.

To summarize, the payment of extended benefits has helped to sustain real GDP during the “great recession” and estimates from the model suggest a per-dollar effect on real GDP is about the same as the effect of regular UI benefits. The positive effect of extended benefits during 2008Q3-2010Q2 raised real GDP by an average \$57 billion per quarter while regular program benefits raised real GDP by \$71 billion over the same period. Regular and extended benefits both operated to cushion the falloff in real GDP.

4.5 The Effects of UI Taxes

The regular UI programs in the states are financed with employer payroll taxes. Over long periods these taxes roughly match regular UI benefit payments. Between 1990 and 2008 regular UI benefits and UI taxes averaged about 0.75 percent of the payroll of taxable employers. While UI benefits directly increase household disposable income, UI taxes add to costs for covered employers.²⁹ In the Economy.com model UI taxes add to the cost of doing business and reduce real output and employment.

The approach for estimating the effects of UI payroll taxes is to compare two simulated run streams. The first simulates real GDP and other macro variables when UI benefits and taxes respond to an increase in recession-related regular UI benefit payments. The second simulates variables when benefits respond to the recession but UI taxes remain constant in real terms. In the first of this pair of simulations, UI taxes respond with a lag as summarized previously in Charts 4.3 and 4.5, and described in Chapter 2. In the second, UI taxes only grow as the GDP deflator increases.

²⁹ The effect of UI payroll taxes on employer labor costs involves an issue of tax incidence. To the extent that employers can shift the burden backward onto money wages, the actual incidence (or tax burden) falls on covered employees. Regardless of the incidence of the tax, UI financing imposes costs and offsets some or all of the positive effects of UI benefit payments.

Table 4.4 summarizes details on real GDP and real UI taxes for the 4 years 2007 to 2010. Columns [1] and [2] respectively display model estimates of real GDP with real UI taxes responsive to the recession and real taxes constant. Column [3] shows the difference, an estimate of the effect on real GDP when UI taxes respond. Note in 2007 and 2008 the effect of UI taxes is positive indicating that real GDP was slightly higher when real taxes declined (rather than being held constant). Taxes decreased slightly in 2007 and 2008 in response to earlier financing developments. Recall that the tax rate functions in the model have current year taxes determined by a 4-year lag on benefits. Columns [4] and [5] next display two tax series, respectively taxes responsive to higher benefit payouts and constant real taxes and their difference in column [6]. Note the relatively long tail on the tax response. A measurable tax response is first observed in 2009Q4, and the effect on real GDP first exceeds \$10 billion in 2010Q1. The aggregate time profile of the tax response was displayed previously in Charts 4.3 and 4.5. Note also in Table 4.4 that the average tax multiplier (-1.4 in column [7]) is smaller in absolute value than the average multipliers for regular UI (2.0) and extended benefits (2.0).

The long, 4-year lag on the tax response means that the short run effect of the UI program during a recession operates almost totally through increases in benefit payouts. Thus the offsetting contractionary effects of taxes typically occur after the economy has started to rebound. In the simulations summarized here, real UI taxes exceed \$40 billion in all quarters from 2010Q2 through 2015Q1. They reach a peak in 2012Q2, nearly three full years after the peak in benefit payouts of 2009Q3 and 2009Q4.

Table 4.4. The Effect of UI Taxes on Real GDP, 2007Q1 to 2010Q2

	Real GDP Reg Ben. & Taxes Respond [1]	Real GDP, Reg Ben. but Tax Constant	Real GDP Effect of Higher UI Taxes=[1]- [2][3]	Real UI Taxes Respond [4]	Real UI Taxes Constant [5]	Change in Real Regular UI Taxes=[4]- [5][6]	Real GDP Deviation/Real Tax Deviation=[3]/[6][7]
2007Q1	11,424	11,424	0	25.8	25.8	0.0	-
2007Q2	11,370	11,370	0	26.0	26.0	0.0	-
2007Q3	11,434	11,434	0	26.2	26.2	0.0	-
2007Q4	11,432	11,432	0	25.1	26.0	-0.84	-0.5
2008Q1	11,454	11,453	1	24.3	26.0	-1.68	-0.5
2008Q2	11,558	11,557	1	23.8	26.2	-2.32	-0.6
2008Q3	11,555	11,553	2	23.2	26.0	-2.77	-0.6
2008Q4	11,416	11,414	2	24.6	25.8	-1.22	-1.3
2009Q1	11,287	11,285	2	24.9	25.7	-0.80	-2.1
2009Q2	11,222	11,222	0	25.9	25.9	-0.01	-
2009Q3	11,287	11,289	-3	27.2	26.1	1.10	-2.5
2009Q4	11,291	11,300	-9	31.3	26.2	5.10	-1.8
2010Q1	11,346	11,361	-15	36.9	26.4	10.49	-1.4
2010Q2	11,418	11,434	-15	41.0	26.6	14.46	-1.1
2008Q3 -							
2010Q2Av.	11,353	11,357	-5	29.4	26.1	3.29	-1.4

Source: Simulations with the Economy.com model. Data in billions of 2000 dollars.

4.6 The Net Effect of the UI Program

The net effect of UI on real GDP and other macro variables is the sum of three components: The effect of regular UI benefits, the effect of extended benefits, and the effect of UI taxes. This chapter used the Economy.com model to explore each of these three components.

Table 4.5 summarizes the findings. Column [1] shows a projected time series of real GDP with constant benefits and taxes that extends to 2010Q2. Columns [2], [3] and [4] then show estimated effects of regular UI benefits, extended benefits (EUC plus EB) and UI taxes respectively. Note that the effects of the financing of EUC and EB are not considered in this analysis. Column [5] adds the three effects to yield a total estimated effect of UI. The bottom line in Table 4.5 shows averages during 2008Q3-2010Q2.

The UI tax and benefit provisions added to the Economy.com model respond to the recession as anticipated. Large increases in both regular UI benefits and extended benefits were simulated. Charts 4.3 and 4.5 show a strong lagged response of UI taxes following the “great recession”. Maximum real tax revenue is achieved in 2012Q2, three years after the trough of the recession. The UI relationships included in the model accurately track the actual patterns of UI benefits and taxes.

The behavioral relations in the model are state-level relations. The state-level findings related to UI benefits and taxes are plausible and yielded one surprise. Reciprocity rates in the regular UI program vary widely across states. Comparisons of the 10 with highest reciprocity with the 10 with lowest reciprocity showed that the former group had a reciprocity rate more than twice that of the low reciprocity group. The respective reciprocity rate averages in 2007 were 0.47 and 0.19, more than a 2 to 1 ratio. The differences in reciprocity rates did not translate into comparable differences in stabilizing effects. This high-low differential was closer to 1.5 to 1, whereas the reciprocity rate differential was more than 2.0 to 1. The explanation appears to be the stronger negative feedback of lagged unemployment in the high-reciprocity states. This finding should be pursued with additional analysis.

Table 4.5. Net Effect of UI Program on Real GDP, 2007Q1 to 2010Q2

	Real GDP, UI Benefits & UI Taxes Constant [1]	Real GDP, Effect of Regular UI Benefits [2]	Real GDP, Effect of Extended UI Benefits [3]	Real GDP, Effect of UI Taxes [4]	Net Effect of UI Program = [2]+[3]+[4] [5]
2007Q1	11,424	0	0	0	0
2007Q2	11,370	0	0	0	0
2007Q3	11,434	0	0	0	0
2007Q4	11,425	7	0	0	7
2008Q1	11,441	12	0	1	13
2008Q2	11,537	20	0	1	21
2008Q3	11,526	27	22	2	51
2008Q4	11,377	37	26	2	65
2009Q1	11,226	59	39	2	99
2009Q2	11,148	74	55	0	129
2009Q3	11,203	86	82	-3	165
2009Q4	11,207	93	90	-9	174
2010Q1	11,267	94	78	-15	157
2010Q2	11,338	95	66	-15	146
2008Q3 -					
2010Q2 Avg.	11,287	71	57	-5	123

Source: Simulations with the Economy.com model. Data in billions of 2000 dollars.

Three features of Table 4.5 seem especially noteworthy. First, in this recession, extended UI benefits play an important role in stabilizing real GDP. Their effect on real GDP during 2008Q3-2010Q2 was \$57 billion compared to an average of \$71 billion for the regular UI benefits. Second, all three aspects of the UI program affect real GDP. Given the lags in the financing of regular UI benefits, however, the negative effects of UI taxes commence only in late 2009 and peak only in 2012. After the onset of a recession, regular UI financing does not immediately offset the positive effects of UI benefits. Third, the combined effects of regular UI and extended benefits are substantial. During 2008Q3 - 2010Q2 their combined stimulative effects average \$123 billion or more than one percent of real GDP.³⁰

³⁰ The estimates derived from the Economy.com model refer to the marginal effect of increased UI benefits. Recall that \$28.1 billion of real regular UI benefits do not enter the estimates summarized in Table 4.5.

4.7 The Stabilizing Effect of Unemployment Insurance

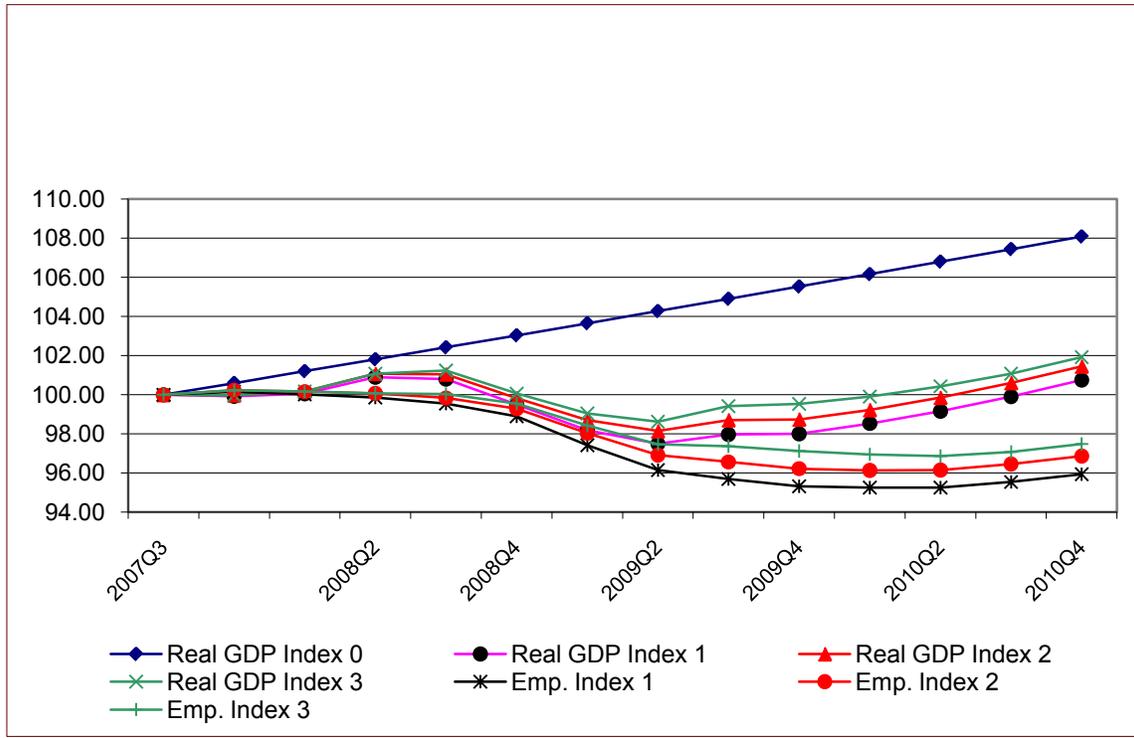
The simulations with the Economy.com model show a clear stabilizing effect of UI benefits. The following paragraphs address some basic questions about the program's performance as an automatic stabilizer. It presents two sets of estimates of the stabilizing effect of UI. Both can be used to describe the stabilizing effect. But, first there is a prior question of what indicator should be used to assess the program's stabilizing impact.

Previous research supported by the U.S. Department of Labor (Chimerine, et. al. (1999) and Dunson, et.al. (1991)) focused on employment as well as real GDP. A review of these two aggregates during the present downturn shows that they have not followed identical time paths. Chart 4.6 traces real GDP and total employment from 2007Q3 to 2010Q4. All series are indexed at 100.0 in 2007Q3. The no-recession projection (made at the Urban Institute) discussed earlier in Table 4.1 is shown as real GDP Index 0. The next three GDP series are respectively: Real GDP with real taxes and benefits held constant (Index 1), real GDP with regular benefits and UI taxes responding (Index 2), and real GDP with real regular benefits, extended benefits (EUC plus EB) and taxes responding (Index 3). Chart 4.6 also depicts three employment indices with the same references to UI, e.g., Index 3 has regular benefits, extended benefits and UI taxes all responding. Since the tax response is delayed into late 2009, the deviations of the Index 2 and Index 3 series from the Index 1 series is almost totally the effect of UI benefits.

Chart 4.6 provides a convenient summary of the scale of the recession in the deviation between the three cyclical GDP series and the steady growth series. Under steady growth of 0.6 percent per quarter, the real GDP Index 0 series reaches 108 by 2010Q4, or 6.0 full index points above the highest of the 3 cyclical real GDP series.³¹

³¹ The analogues index for 2010Q4 is 111 under the more optimistic 2007Q4 Economy.com model.

Chart 4.6. Alternative Indices of Real GDP and Employment, 2007Q3 to 2010Q4



Source: Based data on simulations with the Economy.com model. All series equal 100.0 in 2007Q3.

A second obvious feature in Chart 4.6 is the sharp contrast in the time profiles of the three recessionary real GDP projections versus the three employment projections. Real GDP increases modestly after 2007Q3 and does not turn down until 2008Q4. All three real output series reach a trough in 2009Q2 and then start to recover. By 2010Q4, all three cyclical real GDP indices exceed 100. Real output has returned to its pre-recession level. In contrast, employment starts to decrease in late 2008 but does not reach its trough until the first and second quarters of 2010. The contrasting patterns of real output and employment probably are specific to the “great recession” of 2008-2009. Other recessions would likely have real output and employment patterns that are more closely parallel. Because real GDP and employment have quite different time profiles, measures of the stabilizing effect of UI could yield different results in an analysis that emphasizes both measures. This analysis focuses on the time path of real GDP.

A third feature of Chart 4.6 is the clear effects of UI on real output and employment. The regular UI program has a positive effect and extended benefits have a measurable additional effect.³² How should these effects be described?

To measure the stabilizing effect of the UI program, at least two measures could be considered.

Measure 1. Calculate the total deviation (shortfall) of actual GDP from steady growth GDP. Note in Chart 4.6 that such measures can be calculated for each calendar quarter after the onset of the recession as well as the average over a longer period, e.g., 2008Q3-2010Q2. The effects of UI estimated from such measures are proportions of the gap between steady growth path and no-UI-program path that is closed by UI.

Measure 2. Calculate a peak-to-trough change in real GDP for two periods and calculate the effects of UI on real output for the same two periods. The effects on GDP due to UI will be some proportion of the change in real GDP between the two periods.

Panel A of Table 4.6 displays a series of estimated gap-closing proportions based on the results from Tables 4.1 and 4.5. The steady growth path is the same path that appears in column [1] of Table 4.1, steady growth of 0.6 percent per quarter. Panel A uses this steady growth series to estimate the downward deviation from potential when real UI benefits and taxes are held constant (column [4] in Table 4.1). The gap-closing proportions for the full UI program are shown in column [9]. These range between 0.094 and 0.273 (the quarter EUC started), and averaged 0.183 for the 2008Q3-2009Q2 period. Note that both regular UI benefits and extended benefits contribute important elements in closing the gap while UI taxes are unimportant.

³² While the text of the report emphasizes the effects of the UI program on real GDP, simulated effects on employment can also be noted. In 2009Q2, the trough quarter, real regular UI benefits raised total employment by 1.050 million while extended benefits caused an additional employment increase of 0.748 million and UI taxes had a negligible effect (a reduction of 0.002 million). During the eight quarters from 2008Q3 to 2010Q2, the estimated average effects on employment were real regular UI benefits (+0.891 million), real extended benefits (+0.714 million), and real UI taxes (-0.015 million).

The peak-to-trough calculations in Panel B show larger proportional gap-closing effects of UI. This exercise obviously depends upon the choice of the peak and the trough. It was previously noted that all real GDP series reached their trough in 2009Q2. The peak selected was 2008Q2 because real GDP was higher than in the NBER-established peak of 2007Q4. In the Panel B comparison, the UI program is estimated to close 0.277 of the gap with regular benefits and extended benefits making equal contributions.

In general, a peak-to-trough comparison of the type displayed in Panel B would be expected to yield larger estimates of the gap-closing effects of the UI program. The reason for this is that the peak-to-trough calculation would presumably use actual GDP for two historic periods as peak and trough. This selection would omit the growth in potential GDP between the peak period and the trough period. The omitted growth factor would be larger as the time interval between the peak and the trough is longer. Note in Table 4.6 that the decline in real GDP (column [1]) is estimated at \$391, while in Panel A the deviation from steady growth increased from \$104 billion in 2008Q2 to \$775 billion in 2009Q2, an increase of \$671 billion. The understatement of the loss of real GDP (\$391 billion in Panel B versus \$671 billion) would generally lead to an overstatement of the proportional stabilization provided by the UI program.

Linking the preceding to earlier literature, two final comments can be offered. First, the concern expressed by Dunson, et al. about the declining importance of UI as a stabilizer does not extend to the “great recession” of 2008-2009. Early intervention with expansive EUC and EB caused these extended benefits to add a large element to the stabilization effect of UI. Second, as signaled by the real GDP and the employment projections of Chart 4.6, the labor market of 2010 continues to have very high unemployment. The annual TUR for 2010 may well exceed the 9.3 percent TUR of 2009. In this environment, there will be continuing pressures to provide extended benefits to exhaustees. It is likely that extended benefits will continue to rival in importance regular UI benefits as a stabilizing element of the UI program.

Extended benefit payments (EUC plus EB) in 2009 totaled \$49 billion and represented 0.35 percent of GDP. Across the span of 53 separate years that extend back to 1958, there was an extended benefits program active in at least part of 28 separate years. For these 28 years the extended benefits-to-GDP percentage was highest in 2009. Extended benefit programs in 1975 and 1976 had next-highest percentages at 0.28 percent of real GDP in both years (recall Table 1.1). The EUC and EB programs have continued to receive extensions in 2010, and, at least through April 2010, have continued to serve more than 5 million claimants per week. Consequently, a large gap-filling effect of the UI program can be anticipated for 2010 with both regular UI and extended benefits being important.

Table 4.6. Summary: Estimated Stabilizing Effect of Unemployment Insurance on Real GDP

	Deviation from Steady Growth [1]	----- Effect on Real GDP of -----				-----Proportion of Gap Closed by -----			
		Regular UI Benefits [2]	Extended Benefits [3]	UI Taxes [4]	Total UI Program [2+3+4] [5]	Regular UI Benefits [2]/[1] [6]	Extended Benefits [3]/[1] [7]	UI Taxes [4]/[1] [8]	Total UI Program [5]/[1] [9]
Panel A. Estimated Effects on Real GDP by Calendar Quarter									
2007Q4	78	6.92	-	0.42	7.34	0.089	-	0.005	0.094
2008Q1	131	12.44	-	0.91	13.35	0.095	-	0.007	0.102
2008Q2	104	19.53	-	1.34	20.87	0.187	-	0.013	0.200
2008Q3	185	27.19	21.82	1.66	50.67	0.147	0.118	0.009	0.273
2008Q4	404	36.74	26.40	1.54	64.68	0.091	0.065	0.004	0.160
2009Q1	626	58.56	38.80	1.69	99.05	0.094	0.062	0.003	0.158
2009Q2	775	74.29	54.89	-0.01	129.17	0.096	0.071	0.000	0.167
2009Q3	792	86.15	81.68	-2.70	165.13	0.109	0.103	-0.003	0.209
2009Q4	860	93.46	90.11	-9.23	174.34	0.109	0.105	-0.011	0.203
2010Q1	873	93.86	77.90	-14.56	157.20	0.108	0.089	-0.017	0.180
2010Q2	874	95.36	66.21	-15.44	146.13	0.109	0.076	-0.018	0.167
2008Q3 -									
2010Q2 Av.	674	70.70	57.23	-4.63	123.30	0.105	0.085	-0.007	0.183
Panel B. Estimated Effects on Real GDP – Peak-to-Trough									
Peak 08Q2	11,537	19.53	-	1.34	20.87				
Trough 09Q2	11,146	74.29	54.89	-0.01	129.17				
Change	-391	54.76	54.89	-1.35	108.3	0.140	0.140	-0.003	0.277

Source: Based on simulations with the Economy.com model. Real GDP in billions of 2000 dollars.

4.8 Summary

This chapter has described the results of simulations with the Economy.com model. Several conclusions can be drawn from the analysis. First, state-level detail regarding regular UI benefits, extended benefits and UI taxes was successfully added to the Economy.com model. State as well as national estimates of UI benefits and taxes were developed and the resulting summary statistics were plausible. Benefits respond strongly to increased unemployment and UI taxes respond strongly (but with a long lag) to increases in regular UI benefit payouts. National summaries and summaries from 10 high-recipienty and 10 low-recipienty states showed that state-level UI variables were successfully added to the Economy.com forecasting model.

The simulations that explored the effects of the UI program on the macro economy yielded plausible results. The regular UI program provided measurable gap-filling stabilization to the economy during 2008-2010. Real regular UI benefits reduced the decline in real GDP during 2008Q3-2010Q2 by 0.105. Extended benefits had a slightly smaller effect with a gap-filling proportion of 0.085 for the same period. Due to lags in experience rating, the tax responses were considerably delayed. Chart 4.3 provided a good visual summary of the lagged tax response. Through the second quarter of 2010, the offsetting effects of UI taxes were small, but they will assume increasing importance in years after 2010.

The results of the simulations presented in this paper suggest the following:

- 1) The size of the stabilizing effect of UI during 2007-2010 was larger than found in previous research. This is partly due to the unusually large scale of extended benefits payouts in the “great recession”.
- 2) The feasibility of conducting analysis at the state level is supported by the findings. Somewhat surprisingly the stabilizing effects of UI in 10 low-recipienty states was estimated to be about 70 percent of the stabilizing

effects in 10 high-recipient states. The surprising finding is that a relative stabilizing effect of 70 percent occurred even though the underlying recipient rate in low-recipient states was less than half of that in high-recipient states, e.g., respective pre-recession recipient rates of 0.19 versus 0.47. Stronger negative feedback from lagged unemployment is present in the high-recipient states so that recipient increases less and decreases faster as states go through the recession when compared to the low-recipient states.

- 3) The per-dollar effects of UI taxes have been presumed to be smaller than the effects of UI benefits. The simulations of this project supported this presumption with the average tax multiplier estimated to be -1.4 compared to 2.0 for regular UI benefits, and 2.0 for extended benefits.

CHAPTER 5.

CONCLUSION

A primary objective of the state unemployment insurance (UI) program is to provide automatic or built-in stability to the macro economy. The present project has used the Economy.com model to examine the performance of UI as an automatic stabilizer. The analysis was conducted for individual states with national estimates derived by summing the results from 51 separate state economies and UI programs.

The analysis developed state-level detail to describe UI benefit payments and taxes. Benefit payments were estimated based on regression equations that described the reciprocity rates and replacement rates for the regular UI program in each state. Taxes were estimated using state-level regression equations to explain average tax rates as a percent of total UI-covered payroll. Proportional adjustments were then applied to the average statewide tax rate to estimate tax rates for 19 detailed industries. Chapter 2 and Appendix A provided details of the state-level benefit and tax relationships.

These relationships were imbedded into the Economy.com model. Details of the model were given in Chapter 3 and Appendix B. The enhanced model was then used to simulate macroeconomic performance and the stabilizing role of the state UI program during the “great recession” of 2008-2009. Simulations were undertaken that yielded state and national detail. While the simulations extended to 2020Q4, primary attention focused on economic performance during 2007-2010. Chapter 4 summarized the results of the simulations.

The simulations yielded two sets of conclusions. First, the behavioral relations describing UI benefits and taxes yielded sensible findings about the response of benefits and taxes to the recession. National summaries showed a large response of regular UI benefits, extended benefits, and UI taxes. The tax response occurred with a long (4-year) lag with

effects that extended over several years following the cyclical peak in benefit payments of 2009-2010. In fact, maximum tax revenues occurred in 2012Q2.

Second, the state-level detail built into the simulation model allowed one to study the contrast in the response of benefit payments in high-recipient states relative to low-recipient states. Vivid contrasts in the scale of UI benefit payments relative to real GDP were documented in Chapters 2 and 4. Primarily due to differences in state-level recipient rates, UI benefits constitute a much larger share of real GDP in some states than in others. The state-level contrasts extend over regions with high recipient rates concentrated in New England and Middle Atlantic States (6 of the 10 with the highest recipient rates) and low recipient rates concentrated in states in the South and Rocky Mountains (8 of the 10 with the lowest recipient rates). This analysis documented these contrasts and embedded them into the Economy.com model

The average multiplier effects of real UI variables on real GDP were plausible and higher for regular (2.0) and extended benefits (2.0) than for real UI taxes (-1.4). Given the long lags in the tax response, measurable negative effects of increased UI taxes will extend from 2010 into several later years.

The analysis of the stabilizing performance of the UI program yielded generally plausible results. The stabilizing effect of the regular UI program was estimated to close about one-tenth of the real GDP shortfall caused by the recession. Extended benefits also played an important stabilizing role. Because of lags that reflect experience rating, the response of UI taxes was delayed with little increase in UI taxes occurring in 2009 and 2010. For the three separate components of UI, the proportional gap-closing effects of the program during 2008Q3-2010Q2 were as follows: Increased regular UI benefits = 0.105, extended benefits = 0.085, and increased UI taxes = -0.007. On average, the UI program closed 0.183 of the gap in real GDP caused by the recession. For this particular recession, the UI program has provided stronger stabilization of real output than in many past recessions.

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APPENDIX A.

STATE-LEVEL REGRESSIONS

This appendix summarizes state-level regressions that examined important UI-related behavioral relationships. All three sets of regressions to be described here were fitted using annual time series data for individual states. Table A.1 displays regressions that explain the average UI tax rate (as a percent of total payroll of taxable employers) for the period 1960 to 2007. Table A.2 displays regressions to explain the reciprocity rate in the regular UI program (the weekly number of regular UI beneficiaries (WB) as a ratio to total unemployment (TU) from BLS-LAUS data) for the years 1967 to 2007. Table A.3 displays regressions to explain the “Handbook” replacement rate (average weekly benefits divided by the average weekly wage of all covered employees) for the 1967-2007 period. In each table, the absolute value of the t ratio appears to the right of each coefficient.

Table A.1. Regressions of UI Effective Tax Rates by State on Lagged Benefit Ratios, 1960 to 2007

State	Type of Exp. Rating-a	Const.	t Ratio	B Ratio Lag 1	t Ratio	B Ratio Lag 2	t Ratio	B Ratio Lag 3	t Ratio	B Ratio Lag 4	t Ratio	Adj. R2	Std. Error	Durbin Watson	Mean Tax Rate%	Mean Ben. Ratio%	Sum Benefit Coeff.
ALABAMA	BR-3	-0.302	3.8	0.438	4.2	0.243	2.2	0.364	3.5	0.260	2.9	0.826	0.176	0.76	0.803	0.802	1.304
ALASKA	PD	0.570	2.0	0.210	1.4	0.144	0.7	0.155	0.8	0.282	2.0	0.418	0.384	0.33	2.194	1.943	0.789
ARIZONA	RR	-0.024	0.5	0.103	1.9	0.349	5.5	0.241	3.8	0.293	5.5	0.840	0.104	0.74	0.620	0.621	0.987
ARKANSAS	RR	0.125	1.4	0.213	3.7	0.276	4.5	0.173	2.8	0.148	2.6	0.698	0.121	0.63	0.990	1.045	0.810
CALIFORNIA	RR	-0.187	2.9	0.293	4.7	0.493	7.0	0.145	2.1	0.176	3.1	0.910	0.126	0.80	1.126	1.162	1.107
COLORADO	RR	-0.020	0.3	0.327	3.1	0.406	3.1	0.192	1.5	0.042	0.4	0.722	0.136	0.93	0.566	0.592	0.966
CONNECTICUT	BR-3	0.365	6.3	0.114	2.2	0.168	2.9	0.088	1.6	0.142	3.2	0.716	0.146	0.75	0.948	1.086	0.512
DELAWARE	BWR	0.187	1.5	0.147	1.1	0.236	1.5	0.188	1.2	0.172	1.4	0.401	0.249	0.27	0.859	0.877	0.743
DIST OF COL	RR	0.053	1.3	0.050	0.5	0.330	2.1	0.208	1.4	0.230	2.3	0.862	0.109	0.73	0.688	0.763	0.817
FLORIDA	BR-3	-0.149	2.7	0.452	5.4	0.314	3.1	0.406	4.0	0.120	1.5	0.818	0.118	0.36	0.547	0.526	1.291
GEORGIA	RR	0.242	6.5	0.088	1.8	0.206	3.8	0.171	3.2	0.134	2.9	0.860	0.087	0.46	0.580	0.579	0.598
HAWAII	RR	-0.039	0.3	0.351	2.5	0.316	1.5	0.110	0.5	0.261	1.9	0.664	0.232	0.85	1.154	1.143	1.038
IDAHO	RR	-0.190	1.4	0.300	2.6	0.291	2.1	0.208	1.5	0.296	2.6	0.695	0.231	0.43	1.222	1.242	1.094
ILLINIOS	BR-3	-0.039	0.6	0.144	1.9	0.385	4.4	0.255	3.0	0.182	2.7	0.847	0.157	0.56	0.930	0.987	0.966
INDIANA	RR	0.175	4.1	0.221	3.7	0.204	3.6	0.178	3.2	0.046	0.9	0.694	0.112	0.59	0.576	0.606	0.649
IOWA	BR-3	-0.227	3.4	0.393	4.3	0.281	2.5	0.241	0.3	0.300	3.3	0.860	0.172	0.56	0.815	0.870	1.215
KANSAS	RR	0.298	3.4	0.198	2.3	0.161	1.7	0.224	2.3	0.055	0.7	0.748	0.147	0.46	0.765	0.791	0.638
KENTUCKY	RR	0.178	3.0	0.284	4.6	0.236	3.8	0.139	2.2	0.095	1.8	0.826	0.140	0.47	0.982	1.019	0.754
LOUISIANA	RR	0.172	2.6	0.221	2.8	0.193	1.8	0.094	0.9	0.167	2.0	0.742	0.194	0.83	0.856	0.983	0.675
MAINE	RR	0.255	2.5	0.242	2.8	0.164	1.8	0.156	1.8	0.178	2.4	0.667	0.203	0.61	1.192	1.207	0.741
MARYLAND	BR-3	-0.277	3.0	0.133	1.1	0.490	3.8	0.394	3.2	0.249	2.6	0.815	0.209	0.71	0.872	0.844	1.267
MASSACHUSETTS	RR	0.139	1.6	0.188	2.7	0.274	3.2	0.118	1.4	0.265	4.1	0.790	0.156	0.74	1.231	1.265	0.845
MICHIGAN	BR-RR	0.331	4.1	0.066	1.3	0.201	4.2	0.200	4.3	0.232	5.4	0.772	0.187	0.92	1.244	1.254	0.699
MINNESOTA	BR-4	0.215	2.6	0.082	0.9	0.217	2.2	0.179	1.9	0.210	2.6	0.592	0.152	0.32	0.860	0.911	0.689
MISSISSIPPI	BR-3	0.045	0.5	0.199	1.5	0.391	2.5	0.383	2.5	-0.062	0.5	0.631	0.242	0.44	0.815	0.802	0.912
MISSOURI	RR	-0.155	2.6	0.266	4.2	0.270	3.9	0.328	4.8	0.235	3.9	0.824	0.097	1.46	0.686	0.759	1.098
MONTANA	RR	0.499	4.8	0.368	2.3	-0.016	0.1	0.258	1.6	-0.131	1.2	0.467	0.227	0.38	1.060	1.118	0.479
NEBRASKA	RR	0.006	0.2	0.585	8.4	0.153	1.8	0.132	1.6	0.057	0.8	0.833	0.084	1.23	0.552	0.578	0.927
NEVADA	RR	0.018	0.2	0.259	2.4	0.219	1.9	0.229	2.1	0.260	2.9	0.706	0.205	0.80	1.146	1.101	0.967
NEW HAMPSHIRE	RR	0.018	0.5	0.336	6.9	0.162	3.0	0.207	3.9	0.174	3.9	0.872	0.112	0.74	0.584	0.602	0.879
NEW JERSEY	RR	0.241	2.1	0.182	1.8	0.111	0.9	0.154	1.3	0.295	3.2	0.652	0.199	0.82	1.307	1.390	0.742
NEW MEXICO	RR	0.260	2.7	0.174	1.6	0.200	1.5	0.085	0.6	0.169	1.6	0.378	0.150	0.25	0.792	0.841	0.628
NEW YORK	RR	-0.095	1.4	0.277	3.6	0.242	2.8	0.224	2.8	0.257	4.0	0.869	0.121	0.85	1.010	1.054	0.999

Table A.1. Regressions of UI Effective Tax Rates by State on Lagged Benefit Ratios, 1960 to 2007 (cont)

State	Type of Exp. Rating-a	Const.	t Ratio	B Ratio Lag 1	t Ratio	B Ratio Lag 2	t Ratio	B Ratio Lag 3	t Ratio	B Ratio Lag 4	t Ratio	Adj. R2	Std. Error	Durbin Watson	Mean Tax Rate%	Mean Ben. Ratio%	Sum Benefit Coeff.
NORTH CAROLINA	RR	0.034	0.5	0.125	1.9	0.264	3.9	0.264	3.9	0.229	3.8	0.748	0.149	0.61	0.701	0.715	0.883
NORTH DAKOTA	RR	0.050	0.6	0.679	5.7	0.114	0.7	0.133	0.8	0.030	0.2	0.839	0.173	0.91	1.163	1.138	0.956
OHIO	RR	0.171	3.2	0.059	1.1	0.206	4.0	0.187	3.7	0.253	5.6	0.810	0.147	0.88	0.842	0.913	0.705
OKLAHOMA	BWR	-0.117	2.0	0.384	4.6	0.371	3.9	0.345	3.6	0.034	0.4	0.822	0.123	0.62	0.645	0.644	1.134
OREGON	BR-3	0.189	1.0	0.239	2.1	0.258	1.9	0.150	1.1	0.245	2.3	0.476	0.299	0.50	1.450	1.367	0.893
PENNSYLVANIA	BR-RR	0.343	3.8	0.019	0.3	0.246	3.2	0.208	2.9	0.231	3.8	0.782	0.194	0.80	1.403	1.444	0.704
RHODE ISLAND	RR	0.558	3.1	0.132	1.4	0.205	2.0	0.081	0.8	0.216	2.4	0.443	0.297	0.52	1.683	1.737	0.634
SOUTH CAROLINA	RR	0.281	4.2	0.157	2.9	0.126	2.2	0.139	2.4	0.164	3.0	0.509	0.139	0.50	0.741	0.767	0.586
SOUTH DAKOTA	RR	-0.083	1.8	0.397	3.6	0.234	1.6	0.162	1.1	0.214	1.9	0.773	0.108	0.67	0.445	0.509	1.007
TENNESSEE	RR	0.145	2.1	0.206	2.5	0.184	2.2	0.238	2.9	0.135	1.9	0.665	0.158	0.45	0.780	0.781	0.763
TEXAS	BR-3	-0.083	1.4	0.535	4.3	0.419	2.9	0.212	1.5	-0.097	0.8	0.732	0.133	1.44	0.482	0.513	1.069
UTAH	BR-4	-0.127	1.9	0.243	2.8	0.420	4.0	0.269	2.6	0.173	2.1	0.844	0.137	0.67	0.841	0.840	1.105
VERMONT	BR-3	0.271	1.6	-0.170	1.4	0.238	1.7	0.252	1.8	0.369	3.3	0.497	0.300	0.38	1.162	1.273	0.689
VIRGINIA	BR-4	-0.144	2.6	0.419	3.9	0.398	3.4	0.265	2.3	0.238	2.4	0.747	0.136	0.60	0.442	0.425	1.321
WASHINGTON	BR-4	0.689	3.9	0.035	0.4	0.221	1.8	0.068	0.5	0.195	2.0	0.323	0.269	0.31	1.485	1.481	0.519
WEST VIRGINIA	RR	0.208	2.9	0.294	3.8	0.253	3.0	0.080	1.0	0.115	1.8	0.808	0.195	1.30	1.124	1.195	0.743
WISCONSIN	RR	-0.022	0.2	-0.002	0.0	0.271	2.6	0.237	2.3	0.438	5.0	0.697	0.238	0.58	1.039	1.117	0.943
WYOMING	BR-3	0.196	2.8	0.354	4.2	0.117	1.0	0.332	3.0	-0.018	0.2	0.764	0.220	0.45	0.940	0.913	0.785

Source: Regressions based on data in columns (15) and (16) of the "UI Financial Handbook," (1995) and subsequent Handbook updates. Absolute value of t ratios appear to the right of each coefficient. Regressions for Georgia and Kansas also included dummy variables for periods of UI tax holidays. a - RR - Reserve Ratio, BR - Benefit Ratio (and years of benefits), BWR - Benefit Wage Ratio, PD - Payroll Decline.

Table A.2. UI Reciprocity Rates, Time Series Regression Results for Individual States, 1967 to 2007

State	Constant	t Ratio	TUR	t Ratio	TUR Lag	t Ratio	Dummy 1981	t Ratio	Dummy 1996	t Ratio	Adj. R2	Std. Error	Durbin Watson	Mean Recip. Rate
ALABAMA	0.273	11.9	0.980	1.8	-0.680	1.2	-0.060	3.4	0.074	3.6	0.372	0.037	1.36	0.273
ALASKA	0.953	5.0	-0.482	0.2	-3.397	1.5	-0.042	0.8	-0.080	1.2	0.015	0.144	0.39	0.571
ARIZONA	0.225	7.8	1.684	3.3	-1.884	3.7	-0.008	0.5	-0.007	0.4	0.252	0.039	1.52	0.206
ARKANSAS	0.283	6.2	1.984	2.5	-2.321	2.7	0.021	1.1	0.060	2.4	0.447	0.043	0.82	0.293
CALIFORNIA	0.453	22.2	0.935	2.7	-2.132	6.3	-0.003	0.4	-0.011	1.2	0.514	0.021	1.14	0.364
COLORADO	0.098	5.4	1.484	3.4	-0.405	0.9	0.043	4.0	0.004	0.3	0.567	0.024	1.17	0.181
CONNECTICUT	0.602	11.4	2.180	1.9	-4.203	3.8	-0.089	2.9	0.111	3.5	0.437	0.080	0.83	0.473
DELAWARE	0.396	9.9	1.232	1.2	-1.761	1.8	0.001	0.0	0.114	4.7	0.487	0.057	1.73	0.403
DIST OF COL	0.348	8.0	1.856	1.7	-1.274	1.2	-0.011	0.4	-0.036	1.4	0.076	0.066	1.33	0.371
FLORIDA	0.105	6.6	1.903	5.5	-1.020	3.1	-0.009	1.0	0.074	7.4	0.656	0.022	1.11	0.173
GEORGIA	0.131	3.7	4.610	5.1	-2.992	3.3	0.015	0.8	0.005	0.3	0.378	0.045	1.70	0.228
HAWAII	0.376	12.4	3.332	3.6	-3.488	3.9	0.031	1.7	-0.035	2.1	0.326	0.043	1.29	0.377
IDAHO	0.298	6.3	1.958	1.7	-2.285	1.8	0.055	2.7	0.047	1.9	0.414	0.046	0.90	0.328
ILLINIOS	0.313	12.4	2.640	4.2	-1.609	2.3	-0.100	4.6	0.089	4.4	0.544	0.040	1.26	0.337
INDIANA	0.226	14.0	2.264	5.3	-1.870	4.2	-0.051	3.9	0.101	7.1	0.704	0.031	1.26	0.245
IOWA	0.339	16.3	3.118	3.0	-3.367	3.0	-0.037	1.7	0.082	4.0	0.498	0.042	1.45	0.329
KANSAS	0.273	9.3	5.327	6.1	-4.217	4.7	-0.004	0.2	-0.051	3.7	0.587	0.034	1.28	0.305
KENTUCKY	0.282	7.8	2.119	2.7	-1.865	2.2	-0.050	1.8	0.039	1.5	0.236	0.048	0.97	0.277
LOUISIANA	0.167	4.9	2.810	4.0	-1.402	2.0	-0.055	3.0	0.026	1.1	0.388	0.039	1.25	0.241
MAINE	0.469	14.6	1.477	1.9	-2.442	3.3	-0.045	2.7	-0.041	2.2	0.434	0.044	1.15	0.374
MARYLAND	0.320	14.0	2.563	3.6	-3.128	4.4	-0.015	1.2	-0.012	0.9	0.379	0.031	1.12	0.279
MASSACHUSETTS	0.720	29.4	0.471	0.9	-4.412	8.4	-0.073	4.9	0.037	2.2	0.822	0.040	1.01	0.465
MICHIGAN	0.387	24.6	2.069	7.2	-2.757	9.1	-0.037	3.1	0.067	5.0	0.832	0.028	2.08	0.333
MINNESOTA	0.328	12.4	2.071	2.6	-1.594	1.9	-0.035	2.2	0.045	2.5	0.240	0.037	1.46	0.341
MISSISSIPPI	0.182	7.9	2.214	4.3	-1.990	3.7	-0.003	0.1	0.031	1.8	0.338	0.034	1.44	0.206
MISSOURI	0.428	16.5	1.806	2.6	-3.321	4.5	-0.049	2.6	-0.004	0.2	0.604	0.039	2.04	0.316
MONTANA	0.330	6.7	-1.180	0.9	-0.651	0.5	-0.015	0.8	0.036	1.4	0.102	0.046	0.45	0.300
NEBRASKA	0.253	11.7	1.396	1.6	-0.042	0.0	-0.020	1.5	0.000	0.1	0.082	0.035	1.23	0.285
NEVADA	0.397	11.3	2.380	3.7	-2.112	3.2	-0.101	7.1	0.060	3.3	0.611	0.038	1.18	0.364
NEW HAMPSHIRE	0.315	9.4	4.133	3.6	-3.648	3.2	-0.128	4.7	-0.005	0.2	0.540	0.068	1.85	0.251
NEW JERSEY	0.707	27.8	0.025	0.0	-2.909	4.9	-0.110	7.7	0.040	2.5	0.769	0.038	1.09	0.476
NEW MEXICO	0.296	7.9	1.012	1.3	-2.145	2.6	-0.010	0.7	-0.005	0.3	0.198	0.035	1.12	0.211
NEW YORK	0.641	31.3	0.281	0.6	-3.142	6.6	-0.074	6.9	-0.060	5.2	0.852	0.029	1.53	0.395

Table A.2. UI Reciprocity Rates, Time Series Regression Results for Individual States, 1967 to 2007 (cont)

State	Constant	t Ratio	TUR	t Ratio	TUR Lag	t Ratio	Dummy 1981	t Ratio	Dummy 1996	t Ratio	Adj. R2	Std. Error	Durbin Watson	Mean Recip. Rate
NORTH CAROLINA	0.194	8.1	3.435	6.4	-2.120	3.9	-0.015	1.1	0.056	3.7	0.550	0.037	1.18	0.268
NORTH DAKOTA	0.112	1.5	2.570	1.3	2.093	1.0	-0.025	1.0	0.062	1.7	0.084	0.057	0.45	0.305
OHIO	0.222	10.7	2.931	6.4	-2.488	5.2	-0.001	0.1	0.022	1.3	0.497	0.035	1.00	0.258
OKLAHOMA	0.256	7.4	1.710	2.2	-1.872	2.4	-0.058	2.7	0.008	0.3	0.320	0.044	1.24	0.212
OREGON	0.433	15.0	1.457	2.4	-2.875	4.7	0.051	3.3	0.000	0.0	0.465	0.040	1.13	0.369
PENNSYLVANIA	0.416	16.2	3.191	4.8	-2.686	4.0	-0.058	3.4	0.107	5.8	0.591	0.040	0.75	0.441
RHODE ISLAND	0.792	24.6	-1.784	2.8	-1.672	2.7	-0.086	4.3	-0.076	3.5	0.689	0.054	1.46	0.512
SOUTH CAROLINA	0.192	5.4	3.489	4.7	-2.574	3.4	-0.008	0.4	0.034	1.7	0.341	0.049	1.55	0.251
SOUTH DAKOTA	0.115	4.7	2.760	2.8	0.323	0.3	-0.101	7.4	0.040	3.1	0.654	0.025	0.96	0.169
TENNESSEE	0.351	13.9	2.598	3.9	-3.333	4.9	-0.038	1.9	0.028	1.4	0.497	0.042	1.23	0.292
TEXAS	0.081	3.9	2.803	5.8	-1.429	3.0	0.003	0.2	0.044	4.1	0.661	0.021	1.41	0.174
UTAH	0.211	6.2	1.888	2.5	-0.595	0.7	-0.049	3.2	-0.002	0.0	0.407	0.040	0.75	0.245
VERMONT	0.438	18.5	1.476	2.4	-1.860	3.2	0.006	0.4	0.052	3.6	0.450	0.034	1.68	0.439
VIRGINIA	0.052	2.0	4.459	5.4	-2.118	2.6	0.000	0.0	0.089	5.3	0.572	0.034	1.25	0.180
WASHINGTON	0.437	9.0	1.959	2.2	-2.856	3.3	0.009	0.4	0.003	0.1	0.170	0.060	0.58	0.381
WEST VIRGINIA	0.289	7.1	2.003	2.9	-1.946	2.7	-0.054	1.8	0.061	1.7	0.279	0.053	0.40	0.274
WISCONSIN	0.404	16.8	1.963	2.8	-2.866	3.9	0.030	1.7	0.102	5.4	0.701	0.041	1.17	0.410
WYOMING	0.222	6.0	3.798	3.6	-4.515	4.4	0.103	3.7	-0.028	1.1	0.508	0.050	1.05	0.246

Source: Data on reciprocity rates (WBTU) and unemployment rates (TURs) from OWS and BLS. Dummy variables equal 1.0 for the period 1981 to 2007 (Dummy 1981) and 1.0 for the period 1996 to 2007 (Dummy 1996), zero otherwise. Absolute values of t ratios appear to the right of each coefficient.

Table A.3. Replacement Rate Regressions, 1967 to 2007

State	Constant	t Ratio	MaxBen/AWW	t Ratio	TUR	t Ratio	TUR Lag	t Ratio	RRate Stat.	t Ratio	2 High Quarter Dummy	t Ratio	Annual Wage Dummy	t Ratio	Adj. R2	Std. Error	Durbin Watson	Mean Repl. Rate
ALABAMA	0.132	9.7	0.485	16.5	0.274	2.7	-0.277	2.9			-0.015	5.5			0.930	0.007	1.24	0.307
ALASKA	0.103	6.8	0.428	16.5	0.226	2									0.884	0.011	1.10	0.254
ARIZONA	0.026	1	0.724	9	0.734	3.6	-0.292	1.4							0.772	0.016	0.50	0.312
ARKANSAS	0.240	12.2	0.294	11.1	0.127	0.7	-0.367	1.8			-0.017	3			0.796	0.010	1.91	0.389
CALIFORNIA	-0.068	1.5	0.381	3.3	0.499	1.47	-0.109	0.3	0.407	2.9					0.721	0.022	0.19	0.292
COLORADO	0.194	5.5	0.460	6.1	0.281	1.3	-0.518	2.5			-0.029	7.5			0.781	0.012	1.25	0.403
CONNECTICUT	0.146	5.4	0.525	7.7	0.049	0.3	-0.449	2.7			-0.072	15.2			0.910	0.012	0.75	0.345
DELAWARE	0.099	2.6	0.522	5.9	1.096	2.5	-0.977	2.1							0.483	0.025	0.97	0.337
DIST OF COL	-0.032	0.5	0.469	11.7	0.093	0.3	-0.581	2.3	0.341	2.5					0.940	0.016	1.02	0.337
FLORIDA	0.170	9.9	0.406	9.98	0.867	3.3	-0.776	3					-0.019	2.8	0.771	0.016	1.89	0.344
GEORGIA	0.120	5.4	0.535	9.6	0.458	2.5	-0.448	2.5							0.703	0.009	0.88	0.332
HAWAII	-0.129	2.3	0.939	11.1	0.469	1.2	-0.467	1.2							0.760	0.018	1.17	0.467
IDAHO	0.290	14.5	0.208	5.7	0.707	3.8	-0.605	3							0.471	0.008	1.08	0.407
ILLINIOS	-0.452	4.2	0.407	8.7	0.970	5.3	-0.450	2.3	1.246	6.3					0.845	0.011	0.94	0.356
INDIANA	0.131	14.9	0.508	29.9	0.521	3.8	-0.200	1.5							0.961	0.010	0.65	0.321
IOWA	0.101	4.9	0.641	15.1	1.216	6	-0.738	3.7							0.892	0.008	1.10	0.438
KANSAS	0.149	7.4	0.502	11.1	1.147	5	-0.900	3.7							0.847	0.009	1.12	0.424
KENTUCKY	-0.003	0.1	0.531	9.8	0.617	4.5	-0.462	2.9	0.238	3.3			-0.057	9.3	0.909	0.009	1.57	0.368
LOUISIANA	-0.269	4.1	0.629	11.3	0.394	1.3	-0.874	3.3	0.727	5.7			-0.043	5.8	0.874	0.019	0.68	0.348
MAINE	-0.044	0.7	0.365	3.3	0.125	1			0.440	4.2	-0.012	2.1			0.554	0.010	0.52	0.389
MARYLAND	0.097	5.1	0.569	13.3	1.078	4.7	-0.856	3.7							0.838	0.010	0.99	0.356
MASSACHUSETTS	0.286	7.5	0.174	2.3	0.572	3	-0.473	2.5							0.232	0.014	0.67	0.381
MICHIGAN	-0.098	1	0.336	11.1	0.775	5.4	-0.291	1.8	0.538	3.2			-0.040	3	0.813	0.013	1.90	0.362
MINNESOTA	0.161	11.9	0.447	17.2	0.259	1.9									0.897	0.011	0.41	0.413
MISSISSIPPI	0.181	11	0.361	8.6	0.130	1	-0.148	1.1							0.648	0.009	1.97	0.324
MISSOURI	0.063	1.9	0.560	7.7	0.558	2.8	-0.615	2.8	0.092	1.9					0.717	0.011	1.54	0.321
MONTANA	0.113	4.8	0.416	7.6	1.245	5.3							-0.019	1.6	0.799	0.017	1.40	0.391
NEBRASKA	-0.268	4.2	0.681	11.6	0.529	2.8	-0.159	0.8	0.615	5			0.000	0	0.872	0.007	1.51	0.365
NEVADA	0.213	9.4	0.270	5.6	0.778	3.2	-0.234	1							0.542	0.014	1.43	0.365
NEW HAMPSHIRE	0.094	4.7	0.574	13.9	0.179	0.8	-0.505	2.2							0.835	0.014	0.97	0.341
NEW JERSEY	0.080	1.3	0.247	4.3	0.365	1.8	-0.550	2.9	0.282	4.1					0.397	0.013	0.66	0.364

Table A.3. Replacement Rate Regressions, 1967 to 2007 (cont.)

State	Constant	t Ratio	MaxBen/AWW	t Ratio	TUR	t Ratio	TUR Lag	t Ratio	RRate Stat.	t Ratio	2 High Quarter Dummy	t Ratio	Annual Wage Dummy	t Ratio	Adj. R2	Std. Error	Durbin Watson	Mean Repl. Rate
NEW MEXICO	-0.233	1.8	0.359	10.9	0.554	3.2	-0.364	2.1	0.810	3.2					0.789	0.008	1.24	0.353
NEW YORK	0.150	6.3	0.378	6.4	0.451	2	-0.748	3.4					0.028	5.1	0.677	0.013	0.61	0.307
NORTH CAROLINA	0.169	4	0.360	5.5	0.352	2.1	-0.350	2.1			-0.002	0.5	-0.017	1.4	0.890	0.011	1.46	0.368
NORTH DAKOTA	0.205	7.4	0.315	6.8	1.238	4.1									0.625	0.017	0.60	0.431
OHIO	0.177	7.1	0.347	6.1	0.862	6.1									0.662	0.019	0.99	0.376
OKLAHOMA	-0.107	1.9	0.522	13.9	0.445	1.9	-0.343	1.5	0.414	3.5					0.926	0.013	1.46	0.372
OREGON	0.177	13.8	0.333	16.2	0.637	3.9	-0.450	2.8							0.869	0.011	0.94	0.369
PENNSYLVANIA	0.234	13	0.217	6.5	1.109	5	-0.386	1.7							0.762	0.014	1.04	0.406
RHODE ISLAND	0.244	4	0.315	3.2	0.436	2	-0.518	2.3					-0.003	0.3	0.571	0.019	0.73	0.420
SOUTH CAROLINA	0.199	18.6	0.340	15.5	0.287	2.8	-0.355	3.5							0.879	0.007	1.45	0.354
SOUTH DAKOTA	-0.041	1.6	0.470	9.6	1.281	5.1			0.329	8.1					0.914	0.009	1.35	0.399
TENNESSEE	0.055	1.9	0.334	5.8	0.432	3	-0.397	2.7	0.258	5.7					0.787	0.009	0.87	0.315
TEXAS	0.092	8.7	0.535	14.7	1.222	6.4	-0.779	3.6							0.944	0.009	1.05	0.347
UTAH	0.104	3.1	0.510	9.4	0.561	3.3									0.688	0.015	0.86	0.416
VERMONT	0.207	13.2	0.389	11.8	0.621	3.9	-0.638	4.1			-0.015	4.9			0.822	0.009	1.05	0.393
VIRGINIA	0.088	4	0.592	9.6	0.531	1.5	-0.446	1.4							0.820	0.013	1.37	0.352
WASHINGTON	0.182	5.4	0.295	5.9	1.102	4.2	-0.570	2.1			0.007	0.7	-0.033	2.1	0.843	0.017	1.64	0.376
WEST VIRGINIA	-0.019	6	0.439	16.2	0.627	3.8	-0.463	2.7	0.551	7.3					0.950	0.013	1.32	0.354
WISCONSIN	0.254	8.9	0.209	3.8	1.055	4.7	-0.557	2.5					0.017	3.8	0.671	0.013	1.06	0.405
WYOMING	0.117	6.1	0.538	11.6	0.656	3.1	-0.279	1.3							0.870	0.011	0.92	0.397

Source: Replacement rates, maximum benefits, average weekly wages and methods of calculating weekly benefits from the Office of Workforce Security. Data on TURs from BLS-LAUS program. Absolute value of t ratios appear to the right of each coefficient.

APPENDIX B.

COST OF DOING BUSINESS INDEX

The cost of doing business index estimates how business costs differ across states, within states, and across industries. The index is a weighted sum of three component business cost indices that measure the costs of labor, energy, and taxes relative to the U.S. national average.

$$CDB_{is} = w_{ulc_{is}} * ULC_{is} / ULC_{iUS} + w_{e_{is}} * Energy_{is} / Energy_{iUS} + w_{t} * Tax_{is} / Tax_{iUS}$$

where i = industry, s = state, US = U.S., w_{ulc} = unit labor cost weight, ULC = unit labor cost, w_e = energy weight, Energy = average electricity price, w_t = tax burden weight, Tax = effective business tax rate

An index value of 100 implies that the cost of doing business in industry i in state s is exactly equal to the cost of doing business nationally.

The three components will not be used uniformly by each industry and in each state; the weighting structure varies to account for these differences in cost structure. Moody's Economy.com uses IMPLAN Professional's input-output accounts for 2007 to calculate the proper weights for each component within in each industry and state.

The labor cost index measures unit labor costs in each industry within each state relative to the U.S. For most industries, particularly in the service sector, labor costs comprise the largest share of business costs. The variations across industries are wide, however. For example, in New York, labor costs range from a low of 20 percent of the total Cost of Doing Business in the natural resources and mining industry compared to a high of 98 percent in state government.

The energy cost index measures electricity prices (in cents per kilowatt-hour) for either commercial or industrial electricity relative to the same for the nation. The price data come from the Energy Information Administration. Manufacturing industries use industrial electricity and most service sector industries use commercial electricity. Here again, there is a wide range across industries within states. In New York, energy costs account for only 2 percent of total business

costs in state government, and 67 percent in chemicals, energy, plastics and rubber manufacturing.

An index of the state and local business tax burden is included to estimate the costs associate with a state's taxes. A state's effective tax rate is measured as the total tax burden as a percent of total personal income within an area, indexed to the national effective tax rate. Tax burden is estimated using government revenues from taxes levied on personal property, corporate taxes, and charges, less severance taxes. Corporate license taxes, education, hospital, and intergovernmental transfers are included as well as business contributions to unemployment and workers' compensation programs. Therefore, if a state generates more revenue through the aforementioned taxes relative to incomes compared to the national average, its tax index will exceed 100.

APPENDIX J

NBER WORKING PAPER SERIES

CONSUMER SPENDING DURING UNEMPLOYMENT:
POSITIVE AND NORMATIVE IMPLICATIONS

Peter Ganong
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Working Paper 25417
<http://www.nber.org/papers/w25417>

NATIONAL BUREAU OF ECONOMIC RESEARCH
1050 Massachusetts Avenue
Cambridge, MA 01238
January 2019

This paper was previously circulated as “How Does Unemployment Affect Consumer Spending?” We thank Joe Altonji, Scott Baker, John Campbell, Raj Chetty, Gabe Chodorow-Reich, David Cutler, Stefano DellaVigna, Manasi Deshpande, Xavier Gabaix, Ed Glaeser, Je Grogger, Nathan Hendren, Erik Hurst, Simon Jäger, Damon Jones, Larry Katz, Rohan Kekre, David Laibson, Annie Levenson, Je Liebman, Mandy Pallais, Jonathan Parker, Bruce Meyer, Mikkel Plagborg-Møller, Marilyn Newman, Martin Rotemberg, Jesse Shapiro, Andrei Shleifer, Dan Shoag, Rob Vishny, Constantine Yannelis and three anonymous referees for helpful comments. Thanks to Ari Anisfeld, Guillermo Carranza Jordan, Chanwool Kim, Lei Ma, and Xian Ng for outstanding research assistance. Thanks to the Heterogeneous Agent Resource ToolKit (HARK, <https://github.com/econ-ark/HARK>) for model code. Technical support was provided by Ista Zahn of the Research Technology Consulting team at the Institute for Quantitative Social Science, Harvard University. Thanks to Ed Dullaghan, Wayne Vroman, and Scott Schuh for sharing institutional knowledge related to the UI system and the payments system. This research was made possible by a data-use agreement between the authors and the JPMorgan Chase Institute (JPMCI), which has created de-identified data assets that are selectively available to be used for academic research. More information about JPMCI de-identified data assets and data privacy protocols are available at www.jpmorganchase.com/institute. All statistics from JPMCI data, including medians, reflect cells with multiple observations. The opinions expressed are those of the authors alone and do not represent the views of JPMorgan Chase & Co. While working on this paper, Ganong and Noel were compensated for providing research advice on public reports produced by JPMCI’s research team. We gratefully acknowledge funding from the Washington Center for Equitable Growth, the Charles E. Merrill Faculty Research Fund at the University of Chicago Booth School of Business, the Alfred P. Sloan Foundation Grant No. G-2011-6-22, “Pre-Doctoral Fellowship Program on the Economics of an Aging Workforce,” awarded to the National Bureau of Economic Research, and the National Institute on Aging Grant No. T32-AG000186 awarded to the National Bureau of Economic Research. The views expressed herein are those of the authors and do not necessarily reflect the views of the National Bureau of Economic Research.

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Consumer Spending During Unemployment: Positive and Normative Implications
Peter Ganong and Pascal J. Noel
NBER Working Paper No. 25417
January 2019
JEL No. E21,E24,J65

ABSTRACT

Using de-identified bank account data, we show that spending drops sharply at the large and predictable decrease in income arising from the exhaustion of unemployment insurance (UI) benefits. We use the high-frequency response to a predictable income decline as a new test to distinguish between alternative consumption models. The sensitivity of spending to income we document is inconsistent with rational models of liquidity-constrained households, but is consistent with behavioral models with present-biased or myopic households. Depressed spending after exhaustion also implies that the consumption-smoothing gains from extending UI benefits are four times larger than from raising UI benefit levels.

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A data appendix is available at <http://www.nber.org/data-appendix/w25417>

1 Introduction

How does consumer spending evolve during an unemployment spell? Understanding the path of spending during this particularly stressful period in a household's financial life is important for explaining fundamental household decisions and for designing an appropriate policy response. However, this question has been difficult to answer precisely in prior work because the existing data sources on spending during unemployment are mostly small, infrequent surveys. The goal of this paper is to document the monthly path of spending during unemployment in the U.S. and to assess its positive and normative implications.

Using de-identified bank account data, we find that spending is highly sensitive to income, both at the onset of unemployment and even at the large and predictable decrease in income arising from the exhaustion of unemployment insurance (UI) benefits. From a positive perspective, we use our empirical results to develop a new test to distinguish between the two kinds of theories that have been used to explain the excess sensitivity of spending to income. The behavior we document is inconsistent with theories based on benchmark rational models of forward-looking but liquidity-constrained households because liquidity constraints are unable to explain why households fail to save in anticipation of predictable income declines. However, the path of spending we document is consistent with models where some households exhibit present-biased or myopic behavior (Laibson 1997; Campbell and Mankiw 1989). From a normative perspective, we examine the implications of our results for UI policy. Because spending is so much lower after benefit exhaustion than during UI receipt, we find that the consumption-smoothing gains from extending UI benefits are four times greater than from increasing the level of UI benefits.

To document the path of spending, we worked with the JPMorgan Chase Institute (JPMCI) to construct a de-identified panel dataset with measures of monthly income and spending. The dataset is based on the universe of Chase consumer checking and credit card accounts, aggregated for households to the monthly level. Spending is measured from debit and credit card transactions, cash withdrawals, and electronic transactions captured through the bank account. Our analysis sample includes 182,000 households who received direct deposit of UI benefits into their bank accounts in 20 U.S. states between January 2014 and June 2016. Since UI recipients have substantial prior labor force attachment and 90 percent of UI recipients have a bank account, our sample is likely to be representative of UI recipients. In fact, UI recipients in the JPMCI data are similar to external benchmarks for total household income, spending on nondurables, checking account balances, and age. These data have four strengths relative to most prior work on spending during unemployment: a monthly frequency, detailed spending categories, substantial policy variation across 20 U.S. states, and the availability of monthly employment histories constructed from direct deposit paychecks.

In the first part of the paper, we exploit these four strengths of the JPMCI data to document four novel empirical findings. First, spending drops sharply at UI benefit exhaustion.

Previously-available data measured spending too infrequently to capture the drop in the precise month of benefit exhaustion. When we trace out the monthly path of nondurable spending, we find a drop of six percent at unemployment onset, a drop of less than one percent per month during UI receipt, and a 12 percent drop at UI benefit exhaustion. The drop at exhaustion is larger than the drop in all previous months combined. This finding is surprising because the exhaustion of UI benefits occurs predictably after six months for every state in our baseline sample. We explore the implications of this result for models of household consumption behavior below.

Second, although one might have thought that the drop in spending reflected a financial management strategy of no longer paying bills and continuing to buy necessities, in fact the opposite is true. Spending drops sharply on necessities such as groceries, medical copayments, and drugstores. The drop in spending persists for at least five months after exhaustion, so households are not simply eating previously-purchased nonperishable food and delaying medical payments by a month.

Third, variation in the path of income during unemployment in Florida and New Jersey illustrates that high-frequency changes in income cause the sharp changes in spending described above. Compared to other states, income is unusually low during unemployment in Florida because UI benefits replace a smaller share of household income and benefits last for only four months instead of six. We document a larger-than-average drop in spending at the start of UI receipt and a sharp drop when benefits expire after four months rather than after six months, as in the states with longer benefits. We use the path of spending in Florida as an out-of-sample test of the theoretical models examined later in this paper.

The most remarkable evidence of excess sensitivity comes from New Jersey, which has unusually generous UI benefits. UI payments there begin quickly, such that many workers receive their last paycheck and their first UI check in the same week. This induces a sawtooth pattern in average income, which falls as some workers become unemployed, then rises by 10 percent in the month with the extra check, and then falls to a stable level thereafter. Spending around onset follows the same sawtooth pattern: falls, rises, and then falls to a stable level, suggesting that much of the extra check is spent immediately, even though households know their income is likely to fall sharply in the following month. This pattern shows that the excess sensitivity we document holds for all UI recipients, not just UI exhaustees. Taken together, our evidence suggests that the sensitivity of spending to UI benefits is robust to different settings, different samples, different sources of policy variation, and different points in the spell.

Our fourth empirical finding is that job-finding spikes modestly at UI benefit exhaustion. The job-finding hazard spikes from 19 percent the month before exhaustion to 26 percent in the last month of benefits. Although spikes at exhaustion have been documented in European data, to the best of our knowledge this is the first estimate of the spike in the

job-finding hazard around exhaustion in the U.S.¹ By estimating the path of spending and job-finding for the same set of households, our work provides a single unified set of empirical targets for theoretical work investigating household behavior during unemployment. In the model section, we show that the observed spike in job-finding at benefit exhaustion is far too small to quantitatively explain the magnitude of the drop in spending.

The second part of our paper develops a novel test exploiting high-frequency data to distinguish between the two types of theories economists have developed to explain the empirical excess sensitivity of spending to predictable income changes: rational (or near-rational) models of forward-looking agents and behavioral models with present-biased or myopic agents. The rational models exhibit excess sensitivity because some agents happen to be close to their liquidity constraint when an economic shock arrives (Kaplan and Violante 2014; Carroll et al. 2017). In the behavioral models, agents have a self-control problem (Laibson 1997) or rule of thumb (Campbell and Mankiw 1989). Some of the strongest empirical evidence for excess sensitivity comes from tax rebates.² Unfortunately, because tax rebates are an *increase* in income, they do not distinguish between these two types of models: spending can increase in response to predictable income gains either because households are myopic or because liquidity constraints prevent them from smoothing consumption by increasing borrowing before they receive the income.

Our test is informative because these two types of theories make different predictions about the path of spending around a predictable *decrease* in income. To smooth consumption around an income decline, consumers only need a saving technology such as a bank account to build up a buffer of assets. Although liquidity constraints can explain why consumers fail to borrow, they cannot explain why consumers fail to save. A forward-looking but liquidity-constrained consumer will exhibit no excess drop in spending in the month when income falls. In contrast, a myopic consumer will sharply cut her spending once the predictable income decline is realized.

The path of spending around a predictable income decline is thus an “identified moment” in the language of Nakamura and Steinsson (2017). As they describe, estimates of the marginal propensity to consume (MPC) from tax rebates have successfully served as an identified moment that has convincingly ruled out classical models with complete markets and standard preferences in favor of alternative models with either liquidity-constrained or behavioral households. In this spirit, we propose the magnitude of the monthly consumption

¹Prior work using U.S. data suggests there may be a spike in job-finding at UI benefit exhaustion. Meyer (1990) shows a spike in UI exit hazards in the weeks leading up to UI benefit exhaustion. However, there is considerable uncertainty in the prior literature about the magnitude of such a spike because Card et al. (2007) demonstrate using European data that job-finding hazards spike much less than UI exit hazards at UI exhaustion.

²Examples using tax rebates and refunds include Hsieh (2003), Johnson et al. (2006), Parker et al. (2013), Baugh et al. (2018), Souleles (1999), Shapiro and Slemrod (2009), and Kueng (2015). Baker and Yannelis (2017) and Gelman et al. (2015) examine the spending response to an unanticipated, temporary loss of income: the federal government shutdown. Pagel and Vardardottir (2016) examine the spending response to paycheck receipt.

drop in response to a predictable income decline as a new identified moment allowing us to further refine the class of potential models, distinguishing models with liquidity constraints from a class of behavioral models. While prior work seeking to distinguish between these theories has reached inconclusive results by testing for asymmetry in the low-frequency response to increases and decreases in income, our strategy instead examines the magnitude of the spending drop in the exact month of a sharp predictable income decline.³

The spending of the unemployed, particularly around the predictable decline in income at UI benefit exhaustion, is a useful laboratory to study consumption models for two reasons. First, unemployment—just like the receipt of tax rebates—is ubiquitous; over 90 percent of baby boomers in the National Survey of Longitudinal Youth have experienced unemployment. Second, focusing on UI exhaustion enables us to overcome a limitation of prior work that analyzes the predictable income decline arising from retirement, whose interpretation is ambiguous because of the increased time available for home production (Banks et al. 1998; Bernheim et al. 2001; Aguiar and Hurst 2005). Because UI benefit exhaustion is a change in income without a change in a household’s time budget, this ambiguity does not apply to our research design.

To formalize this test, we examine a predictable income decline in a structural model of consumption and job search and compare various parameterizations of the model to the data. We study a model with endogenous consumption in the tradition of Deaton (1991) and Carroll (1997) and endogenous job search as in Mortensen (1977) and DellaVigna et al. (2017). We calibrate the model to match liquid assets, income levels, and job-finding hazards in the JPMCI data, and we estimate the discount rate, borrowing limit, and job search cost to best fit the observed path of spending and job search in the JPMCI data. To the best of our knowledge, we are the first to study the effects of a predictable income decline in a quantitative structural model.⁴ Our quantitative model results confirm the intuition described above: the benchmark version of the model that allows for liquidity constraints (but not present-bias) predicts that agents cut spending gradually with no excess drop in spending at exhaustion, unlike the data.

In contrast, we show that models incorporating present-biased or myopic agents are able to closely match the JPMCI data. We examine a model where agents may differ in their present-bias preference parameter β (as in Laibson 1997). Agents with a sufficiently low β who are also liquidity-constrained set their consumption close to income in each month. The inclusion of a low- β type enables this model to reproduce the “spender-saver” behavior in Campbell and Mankiw (1989), albeit with a micro-foundation relying on heterogeneity in β . At exhaustion, we estimate that about one-third of agents are the low β types. A model with consumers whose exponential time preference parameter δ is so low that they are

³See Jappelli and Pistaferri (2010) for a summary of this prior work, and see Altonji and Siow (1987), Shea (1995), Bowman et al. (1999), and Garcia et al. (1997) for more details.

⁴Both Banks et al. (1998) and Bernheim et al. (2001) make the qualitative point that because retirement is a predictable income decline, a rational agent should not cut her spending.

essentially myopic also makes a similar prediction, albeit with slightly lower goodness-of-fit. These hybrid models are able to match the path of spending because the present-biased or myopic consumers sharply cut consumption around onset and exhaustion, while the presence of the non-present-biased buffer stock agents best matches the gradual decline in spending during UI receipt.

The final part of the paper examines the normative implications of our results for UI policy. The consumption implementation of the canonical Baily (1978)-Chetty (2006) formula for the optimal level of UI benefits requires the spending drop during unemployment as an input. Relative to the prior literature, we empirically contribute the first estimate of the drop at UI benefit exhaustion and a more precise and comprehensive measure of the average drop in consumption during UI receipt.⁵

These results enable us to estimate the welfare gain from extending the duration of UI benefits. Although most prior work on optimal UI benefits has focused on the *level* of UI benefits as the key policy parameter, there is substantial policy variation across countries, states, and time in the potential *duration* of benefits. In response, a newer strand of the literature has examined the optimal path of benefits (Schmieder and von Wachter 2017; Kekre 2017; Kolsrud et al. 2018). Although there is substantial research estimating the fiscal cost of extensions (summarized by Schmieder and von Wachter 2017), we are not aware of any paper that has estimated the consumption-smoothing gains from extensions.⁶

We find that the welfare gains from improved consumption-smoothing due to extending the duration of UI benefits are four times as large as from raising the level of UI benefits in a generalized Baily-Chetty formula. The economic intuition for our result is that long-term unemployment is a state of the world where consumption is much lower and marginal utility is much higher; benefit extensions target this high marginal utility state of the world effectively. These large consumption-smoothing gains imply that—even after incorporating the fiscal externality from increases in UI generosity—extensions raise welfare more than benefit increases of equivalent cost.

The paper proceeds as follows. Section 2 describes the JPMCI data set and why it is suited for measuring how unemployment affects spending. Section 3 shows that spending is highly sensitive to the level and duration of UI benefits, including a sharp drop at benefit exhaustion. Section 4 compares predictions from different consumption models to the data.

⁵Researchers calibrating the Baily-Chetty formula have typically relied on the Panel Study of Income Dynamics (PSID), which has two limitations for this purpose. The first limitation is that the PSID is administered infrequently and has an ambiguous reference period, making it difficult to assess if survey responses about spending coincide with unemployment (Chodorow-Reich and Karabarbounis 2016). The second limitation is that until recently the survey covered only food and housing spending. Researchers have raised concerns that the measured drop in food expenditure fails to capture a larger drop in unmeasured consumption categories (Chetty and Szeidl 2007). Our estimates address these twin concerns by using monthly data and decomposing household expenditure into 27 detailed categories.

⁶In related work, Kolsrud et al. (2018) analyze the consumption-smoothing gains from changes to the path of UI benefits in Sweden, where exhaustion is not relevant because there is no time limit on benefit receipt.

Section 5 evaluates the consumption-smoothing gains from UI benefits. Section 6 concludes.

2 JPMCI Data and External Validity

We study the evolution of consumption during unemployment, building on work by Kolsrud et al. (2018). Our data are novel in two ways. First, we observe a monthly panel of spending, so we can track how the same household discretely changes their spending around events such as UI benefit exhaustion. Second, most work on spending during unemployment relies on surveys which are only able to cover a few categories and suffer from recall bias. Using de-identified bank records drawn from the universe of households with a Chase bank account, we are able to construct high-frequency estimates of spending by category during unemployment.

2.1 Analysis Sample

Our analysis sample is drawn from the 27 million households with a checking account in the JPMCI data. The unit of observation is household-by-month, from September 2013 through June 2016. We study households who did not receive any UI payments in 2013 and received at least one month of UI benefits between January 2014 and June 2016.

We restrict the sample to the 20 U.S. states where Chase has physical branches and UI benefits are paid by direct deposit.⁷ From January 2014 onward, the potential UI benefit duration was six months in 17 of these states and less than six months in Florida, Michigan, and Georgia. Our primary analysis sample uses the 17 states that offered exactly six months of benefits. However, we use spending data from Florida in Section 3.3.1, and we use all 20 states in our cross-state analysis in Section 3.3.2.

In the JPMCI data we observe UI recipients who were paid by direct deposit. Nearly all states offer UI recipients a choice between receiving benefits by direct deposit or prepaid debit cards. Data from Saunders and McLaughlin (2013) show that the share of UI recipients who are paid using direct deposit in our 20 states is 45 percent. We show below in Section 2.3 that UI recipients paid by direct deposit have similar income to all UI recipients.

Our primary analysis sample imposes two further sample restrictions. The first restriction is motivated by the fact that 28 percent of banked households have checking accounts at multiple banks (Welander 2014) and our inability to capture spending by UI recipients out of non-Chase bank accounts. To limit the sample to households who use Chase as their primary bank account, we restrict the analysis sample to households with at least five monthly checking account “outflows.” An outflow is any debit from a checking account including a cash withdrawal, an electronic payment, a paper check, or a debit card transaction. We select households who have five outflows in each month from three months prior

⁷Online Appendix Figure 1 shows a map of the 20 states and Appendix Table 1 provides basic summary statistics on the sample.

to their UI spell to three months after their UI spell. This criterion retains 65 percent of household-months and is conservative in that it probably drops some households who do bank primarily with Chase. (Our key empirical result that spending drops sharply at benefit exhaustion does not depend upon this sampling restriction.)

The second restriction is to limit the sample to households with a single contiguous UI spell. This restriction is necessary because we define UI exhaustees based on the number of weeks of benefits received and benefit duration measured in weeks is only available in the JPMCI data for contiguous UI spells. This criterion retains 82 percent of remaining household-months for a final sample size of 182,361 households and 5.4 million household-months. See online Appendix B for additional details on how we measure UI receipt and exhaustion. As a robustness check, we verify that the spending drop at the onset of unemployment is similar for households with one UI spell and households with multiple UI spells.

In some cases, we observe spending for a Chase account belonging to a household member (e.g., a spouse) who is not receiving UI, which is useful for understanding whether households substitute spending toward other bank accounts during unemployment. The JPMCI data can be aggregated in two different ways to reflect two definitions of households. The first, more narrow definition considers a household to include all bank accounts that are administratively linked. Most people link their bank accounts administratively when they get married, making it easy for spouses to access each others' accounts (TD Bank 2014). The second, broader definition includes other adults in the family whose accounts are not administratively linked. If two Chase customers married one another and did not administratively link their bank accounts (such that they constituted two separate households under the narrow definition), the JPMCI data would still usually classify them as part of a single household under the broader household definition. We use the narrow definition in most of our analysis (i.e., if according to this definition a household has multiple checking accounts with Chase, we analyze the sum of debits and credits across these multiple accounts), but we analyze our most important results using the broad definition as well. In any case, the definitions coincide for 79 percent of households.

2.2 Variables: Constructing Spending, Income, Assets, and Liabilities

Spending – Spending is measured from debit and credit card transactions, cash withdrawals, and electronic transactions captured through the bank account. We divide spending into “strict nondurables,” “other nondurables,” and “durables” using the the standard expenditure taxonomy for survey data (Lusardi 1996). Examples of “strict nondurable” spending categories according to this taxonomy include groceries, food away from home, fuel, utilities, and haircuts. Examples of “other nondurables” include clothing, medical copays, and payments at drugstores. We provide a comprehensive description of our spending categorization procedure in online Appendix C and provide a summary here.

We allocate spending via credit card, debit card, and electronic payment between these three categories using transaction metadata. To categorize a debit or credit card purchase, we crosswalk Merchant Category Codes (MCCs) that merchants report to the Internal Revenue Service on what types of goods and services they sell to the spending categories from Lusardi (1996) mentioned above. We then use Lusardi’s taxonomy to categorize each MCC as strict nondurable, other nondurable, or durable. For a subset of electronic payments, the JPMCI data have a categorization of the transaction that is indicative of its economic purpose.

Following the standard approach in the consumption excess sensitivity literature (Lusardi 1996), our analysis focuses primarily on the nondurable subset of spending. This variable—the sum of strict nondurables, other nondurables, cash withdrawals, and miscellaneous nondurables—accounts for 44 percent of checking account outflows.⁸ Durable spending accounts for another seven percent of outflows. The remaining outflows we can categorize include debt payments (14 percent of outflows) and transfers to other accounts (six percent of outflows). The final 29 percent of outflows cannot be categorized because they are either paper checks or electronic payments that could not be categorized.⁹

We compare spending levels in the JPMCI data to external benchmarks in order to evaluate the fraction of household spending that is captured by the JPMCI data. For this analysis, we use the crosswalk to the Consumer Expenditure (CE) Survey described above, and we also crosswalk to the Bureau of Economic Analysis’ Personal Consumption Expenditures (PCE). We summarize the conclusions in Table 1 and provide additional detail in online Appendix Tables 2, 3, and 4.

Among different types of spending, the JPMCI data provide the best coverage of spending on nondurables. Mean spending on nondurables in JPMCI is 139 percent of the CE Survey benchmark and 66 percent of the PCE benchmark.¹⁰ For comparable durables, JPMCI is 31 percent of CE Survey and 24 percent of PCE. As we discuss in online Appendix C, JPMCI covers nondurables better than other types of spending because these goods are typically paid for using debit cards, credit cards, and cash. This is useful in our context, since good coverage of spending on nondurables is essential for studying high-frequency fluctuations in consumption.

Income – Our analysis focuses on a subset of checking account inflows: paychecks paid

⁸We treat all cash withdrawals as nondurable spending because the Federal Reserve’s Diary of Consumer Payment Choice (DCPC) shows that 75 percent of cash is spent on nondurables. See online Appendix C for an explanation of the “miscellaneous nondurables” category, which accounts for five percent of checking outflows.

⁹In a robustness check in online Appendix E.1, we construct a measure of nondurable spending which assumes that all uncategorized spending (including cash) is spent on nondurables in proportion to that payment method’s nondurable expenditure share in the DCPC.

¹⁰It is well known that the CE Survey understates consumption expenditures. Passero et al. (2014) carefully crosswalk CE Survey and PCE expenditure categories and found the ratio of CE Survey to PCE was 0.60 across all categories and 0.77 across comparable categories. Online Appendix Table 2 indicates that the CE Survey’s coverage of nondurable categories is even worse relative to PCE, with a ratio of 0.48.

by direct deposit and UI benefits. Paychecks account for 59 percent of checking account inflows prior to UI onset, while UI benefits account for 25 percent of inflows during a UI spell. The remainder of inflows prior to onset are accounted for by transfers from outside savings and investment accounts (12 percent), other income (three percent), government income (four percent) and uncategorized inflows (22 percent). Uncategorized inflows, which are often paper checks, cannot be assigned to income or dissavings.

We construct individual employment histories (also known as “labor market biographies”) using an anonymized identifier associated with the employer named on each direct deposit paycheck. To the best of our knowledge, we are the first to construct such biographies for U.S. workers at a monthly frequency using administrative data. We describe the construction of these biographies in more detail in online Appendix D, and validate their use by showing that job separations spike at UI onset and that job starts are highly correlated with UI exit. We use these biographies to measure nonemployment duration after UI benefit exhaustion and to measure the monthly job-finding hazard during unemployment. One weakness of this methodology is that we are unable to detect re-employment when wages are paid using paper checks.

Assets and Liabilities – The JPMCI data do not directly measure total liquid assets or total liabilities, but do contain coarse measures of liquid assets, as well as a measure of Chase credit card liabilities. We use an estimate of the household’s total liquid assets based on an internal JPMC statistical model in our heterogeneity analysis. This model uses a combination of checking account activity and third-party data sources to construct an estimate of total liquid assets. For households with Chase credit cards, we observe revolving balances on Chase credit cards, new purchases on Chase credit cards, and credit limits on Chase credit cards.

2.3 Representativeness

Our results in the JPMCI data seem likely to generalize to the broader population of UI recipients. Program rules require UI recipients to have substantial prior labor force attachment and therefore they are very likely to have a bank account. In fact, we calculate that 90 percent of households reporting UI income in the past year in the SCF had a bank account at the time of the survey.

Two pieces of evidence suggest that UI recipients in the JPMCI data have similar pre-separation income to UI recipients overall in the U.S. First, online Appendix Figure 2 shows that state-level monthly UI benefits in the JPMCI sample are very similar to benefit levels in Department of Labor administrative data. Because UI benefits are determined by pre-separation earnings, this implies that the JPMCI sample has similar pre-separation income to all UI recipients. Second, we measure the distribution of household income in the twelve months prior to UI receipt using the Survey of Income and Program Participation (SIPP). In the JPMCI data, we rescale checking account income into pre-tax dollars. The distribution

of income in these two datasets is quite similar, as shown in online Appendix Figure 3 and summarized in Table 1.

Beyond income, Table 1 also shows that JPMCI UI recipients are similar to external benchmarks in terms of age and checking account balances.¹¹ Mean age is 41.1 years in JPMCI compared to 44.0 years in the SIPP. The median checking account balance in the JPMCI sample is \$1,250, which is 83 percent of the SCF balance in the household’s primary checking account.¹²

3 How UI Affects Household Behavior

In this section, we show that spending is highly sensitive to UI benefits, both at the onset of unemployment and even at the large and predictable decrease in income arising from UI benefit exhaustion. We also provide category-level evidence suggesting that the large drop in expenditure at exhaustion reflects an actual drop in consumption, that state-level variation in spending tracks state-level variation in the path of income, and that job-finding spikes modestly at UI benefit exhaustion.

3.1 Path of Spending During Unemployment

3.1.1 Methodology

Monthly data enable a more granular view of income and spending during unemployment for a given household than has been previously available. Figure 1 nonparametrically shows the monthly evolution of income and spending around UI receipt. We stratify income and spending groups by the number of months of UI benefits received. For income, we focus on the two components which we measure most reliably: labor income paid by direct deposit and UI benefits. For spending, we use the definition of nondurable spending from Lusardi (1996).

We develop a methodology for summarizing the path of income and spending at a monthly frequency throughout a UI spell. Figure 2 presents this summary of the estimated path for the sample that stays unemployed each month. Our approach takes the set of

¹¹In addition, as evidence for external validity, we estimate that the share of U.S. households receiving UI via direct deposit is close to the share of households in the data. Across the U.S., an average of 2.6 million people received UI benefits each week in 2015. We estimate that in an average week in 2015, 0.9 percent of families in the U.S. received UI benefits via direct deposit. In the bank data, the average monthly UI reciprocity rate in 2015 was 0.7 percent.

¹²Online Appendix Tables 5 and 6 provide additional statistics comparing income and checking account balances in the two samples. It is not possible to directly compare the total liquid assets in our sample to an external benchmark because we do not have a complete lens on a household’s total liquid assets, but a back-of-the-envelope calculation suggests that these two numbers are similar. We estimate that UI recipients in the JPMCI data have a median of \$4,088 in liquid assets by multiplying the median checking account balance of \$1,250 in the JPMCI data by the ratio of median liquid assets to median checking account balances of 3.27 from the SCF reported in online Appendix Table 6. This is quite similar to Chetty’s (2008) estimate that median liquid assets for job losers is \$3,336 (\$1,763 in 1990 dollars) using the SIPP. The algorithm for rescaling post-tax dollars into pre-tax dollars is described in online Appendix Table 5.

households that are still unemployed each period and compute their change in spending relative to the prior period. This series is the conceptual counterpart of the job-finding hazards commonly computed in the job search literature, which take the set of jobseekers that are still unemployed each period and compute the share who find a job that period. This measure is useful because it enables us to reduce dimensionality in a way that facilitates comparison to the model in Section 4.

We construct Figure 2 as the cumulative sum of a series of one-month changes. Formally, let y be the outcome of interest, either income or consumption. We define i as a household, t as months since first UI receipt, and n as the number of households in the analysis group at time t . Prior to onset, $\bar{y}_t = \frac{1}{n} \sum_i y_{i,t}$ and all future UI recipients are included in the sample. In month $t = 0$, everyone who gets one full month of UI is included, in month $t = 1$, everyone who gets two full months of UI is included, and so on.¹³ Each point in the figure is estimated as

$$\Delta y_t = \frac{\sum_{i \in \text{U duration} > t} y_{i,t} - y_{i,t-1}}{\sum 1(i \in \text{U duration} > t)} \quad (1)$$

$$\bar{y}_t = \Delta y_t + \bar{y}_{t-1}. \quad (2)$$

Unemployment duration is measured using UI checks through the sixth month of UI receipt and labor market biographies afterwards.¹⁴ Our choice of an evolving sample is a convenient way to summarize the data, but is not quantitatively important for our empirical results. A spending series where the sample is limited to UI exhaustees yields quite similar results, as shown in online Appendix Figure 4.

The unit of observation in the JPMCI data available to us is the calendar month, and this time aggregation poses an empirical challenge because UI benefits may be exhausted in the beginning or middle of the calendar month.¹⁵ To address this issue, we limit the sample of six-month UI recipients in our figures to households who received their last UI check on the 21st of the month or later. These households experience a sharp drop in UI payments because in one calendar month they receive nearly a full month of UI benefits, while in the next month they receive none at all. As a robustness check, we compare our results for this sample to the results for a two-month exhaustion time window for all UI recipients in online Appendix Figure 4.¹⁶

¹³Due to variation in the frequency of UI check payments, we implement this screen by sampling households who receive at least one UI check in the subsequent month.

¹⁴One potential concern about using labor market biographies to infer continued unemployment after UI exhaustion is that this strategy will mislabel as unemployed people who actually found a job, but either had that paycheck deposited to a non-Chase account or were paid by paper check. To ameliorate this concern, we limit the sample to people who are eventually reemployed according to the labor market biography data and obtain very similar results. Relatedly, we show that the spending drop of UI benefit exhaustees is large regardless of continued post-exhaustion unemployment duration. The results of both analyses are shown in online Appendix Figure 4.

¹⁵In some recent work JPMCI has analyzed daily transaction-level data, but transaction data on the universe of UI recipients were not available when we conducted this research.

¹⁶We use this larger sample and analyze the change in a two-month time window at exhaustion to improve

We take two additional steps to clean the spending and income data. First, to eliminate seasonality, inflation, secular trends, and business cycle fluctuations, all results for income and spending are presented relative to a comparison group. The comparison group is households in the analysis sample that did not exhaust UI, analyzed for months when they were employed and not receiving UI.¹⁷ Second, to reduce the influence of outliers, we winsorize each variable at the 95th percentile of positive values for that variable.¹⁸

3.1.2 Key Result: Spending Drops at Onset and Exhaustion

The top panel of Figure 2 demonstrates that households experience two discrete drops in income during unemployment. First, income drops one month before UI payments begin. This is because it usually takes a few weeks to start receiving UI payments after a job separation. The drop in average income is not entirely concentrated in a single month because of heterogeneity in time between last paycheck and first UI check. Second, income drops by an even larger amount at UI benefit exhaustion.¹⁹ The difference in income drops emerges because households that exit UI in fewer than six months have found a job, while households that exhaust their UI benefits are often unemployed for more than six months. Income does not drop to zero at exhaustion because many households have other transfer income, another member who continues to earn labor income, or capital income.

The bottom panel of Figure 2 provides high-frequency evidence that spending is highly sensitive to income, both at the onset of unemployment and even at the large and predictable decrease in income at UI benefit exhaustion. The path of spending approximately mirrors the path of income, with two discrete drops. Monthly spending drops by 6 percent at the start of unemployment, falls by less than one percent per month while receiving UI, and then drops by 12 percent at UI benefit exhaustion. Because the onset of unemployment is a largely unexpected shock, the drop in spending at onset is not surprising from the perspective of economic theory. In contrast, the sharp drop in spending after the large and predictable income drop at exhaustion is the key empirical fact that we use in Section 4 to differentiate benchmark models of rational forward-looking agents from a class of

precision in some of our analysis below.

¹⁷Formally, with i as a household, t as a calendar month, and $y_{it,raw}$ as the original data, we define $\bar{y}_t^{control} \equiv \frac{1}{n_t} \sum_i y_{i,t}^{control}$, $\bar{y}^{control} \equiv \frac{1}{nT} \sum_t \sum_i y_{i,t}^{control}$, and the analysis variables in this paper are $y_{it} = y_{it,raw} - (\bar{y}_t^{control} - \bar{y}^{control})$.

¹⁸Online Appendix Table 7 shows that our winsorization procedure leads to conservative estimates of the spending drop at UI benefit exhaustion. Without it, our estimates would be even larger.

¹⁹The fact that this second drop is larger has the counterintuitive implication that UI benefits have a replacement rate of 66 percent. This apparent 66 percent replacement rate is larger than typical statutory UI pre-tax replacement rates, which are around 45 percent in the U.S. Two factors explain nearly all of the gap in measured replacement rates: differential tax treatment of UI benefits and labor income payment method. First, UI checks are not subject to withholding, whereas a typical paycheck will have 7.65 percent deducted in payroll taxes and 15 percent in income tax withheld. Second, we are only able to detect labor income paid by direct deposit in the JPMCI data; we have calculated using the SCF that about 15 percent of labor income is paid by paper checks and pre-paid debit cards rather than by direct deposit. After adjusting for these two issues, our income estimates are similar to those reported for a representative sample of UI recipients by Rothstein and Valetta (2017).

behavioral models with present-biased or myopic agents. We report regression coefficients with standard errors in online Appendix Table 8 and explore the robustness of this finding in the next subsection.

3.1.3 Heterogeneity analysis and robustness

To provide further evidence that changes in income are driving changes in spending, we analyze differences in household-level UI replacement rates. We assign households to terciles using the ratio of monthly UI benefits to monthly income prior to unemployment. This measure combines cross-state variation in replacement rates, within-state variation in the UI replacement rate by prior income, and cross-household variation in the share of income accounted for by the household member who lost her job. Unfortunately, because it is difficult to estimate annual household income in our data, our variable is a noisy proxy for true household-level replacement rates. Nevertheless, we show that spending drops more at exhaustion when UI benefits account for a larger share of household income in Figure 3. To analyze variation in monthly UI benefits that is not driven by individual-level heterogeneity and is less vulnerable to measurement error, we complement the analysis here with state-level analysis in Section 3.3.

A key determinant of the magnitude of the spending drop is a household's assets prior to the onset of unemployment. We again assign households to terciles, this time using the ratio of the estimated liquid assets measure described in Section 2.2 to monthly spending prior to unemployment. Figure 3 also shows that spending drops more at onset and at exhaustion for low-asset households, consistent with Johnson et al. 2006. It appears that households that have liquid assets use them as a buffer to avoid cutting spending during unemployment. This empirical finding provides motivation for a model of agents with heterogeneous patience in Section 4.2.

We also examine heterogeneity in the drops at onset and exhaustion using eight other covariates: checking account balances, joint checking accounts (a coarse proxy for marriage), employment of other household members, exhaustion date, income, age, mortgage payments (a proxy for home ownership), and having a Chase credit card (online Appendix Tables 9 and 10, as well as online Appendix Figure 5).

The drop documented above may not reflect a drop in total household nondurable spending because of spending on credit cards, spending from non-Chase bank accounts, uncategorized payments, and selection into direct deposit of UI benefit receipt. In this section we investigate the first two concerns, while we discuss the two latter concerns in online Appendix E.1, where we show that our findings are robust to alternative assumptions about the composition of uncategorized bank account outflows (online Appendix Figure 6) and are likely to generalize to most UI recipients who do not receive direct deposit of UI benefits (online Appendix Figure 7).

One potential concern is that households might be substituting spending to their credit

cards, but we find no economically significant use of credit cards to smooth consumption during unemployment. On average, revolving balances on Chase credit cards rise by about \$20 per month during UI receipt, as shown in online Appendix Figure 8. Put otherwise, new credit card borrowing finances less than 0.5 percent of monthly consumption during unemployment. Although our estimate does not capture borrowing on non-Chase credit cards, our finding of limited credit card borrowing during unemployment is consistent with three other studies that capture utilization across all credit cards. The most comparable estimate is Herkenhoff et al. (2016), who find a revolving debt increase of \$28 per month using a sample of credit bureau records matched to employment records. Even more striking, other researchers have found *decreased* credit card borrowing (Bethune 2017) associated with unemployment. We think that understanding the limited use of credit card spending during unemployment is an important area for future research.

A second potential concern is that the drop at exhaustion reflects substitution of spending to other bank accounts, but we do not find substitution to accounts of other household members (e.g., spouses). In Section 2.1, we explain how the JPMCI dataset is able to capture spending for two customers who bank with Chase and form a household unit without administratively linking their bank accounts. Spending out of other accounts is roughly constant at benefit exhaustion, with an increase of \$40 (see online Appendix Figure 9).²⁰ Because only about one-quarter of households have accounts at multiple institutions, the average drop in household spending is \$252, rather than \$263, after incorporating spending from outside accounts.²¹ Nevertheless, it would be useful in future work to replicate our analysis in a dataset from a financial aggregator where we can be confident of observing all outside bank accounts and credit cards.

Another piece of evidence that may address concerns about missing spending data is that at a low frequency, our estimates of the average drop in spending during unemployment are quantitatively in line with prior estimates using survey data from the U.S. For example, Gruber (1997) reports that food spending falls by 6.8 percent.²² Although Gruber’s empirical specification does not generate a standard error for this statistic, Hendren (2017) reports

²⁰One might have expected that households would cut spending out of *every* bank account at exhaustion, not just the account which stopped receiving UI payments. The absence of a decline in spending in other household accounts could arise from several channels, including a convenience motive or a form of mental accounting. The convenience hypothesis is that cutting spending out of both accounts would eventually require a transfer from the second account to the primary account to cover the continued spending out of the account with fewer inflows, so it is more convenient to just cut spending out of one account. The mental accounting hypothesis is that when someone has a decline in income, she cuts outflows from the account with diminished income.

²¹In percentage terms, the two-month drop in spending falls from 10.7 percent to 8.7 percent, as shown in online Appendix Table 12. See online Appendix Table 11 for a similar calculation of how incorporating outside bank accounts affects the drop in spending at onset.

²²Several authors have replicated this estimate: Chetty and Szeidl (2007), Kroft and Notowidigdo (2016), East and Kuka (2015), Chodorow-Reich and Karabarbounis (2016), Saporta-Eksten (2014), and Hendren (2017). For examples of non-U.S. estimates, see Browning and Crossley (2001) and Kolsrud et al. (2018) for estimates for Canada and Sweden, respectively. These estimates are difficult to compare to ours because UI benefits are more generous in these countries.

a comparable estimate with standard error of 0.5 percent. When we construct comparable estimates to Gruber, we find that spending drops by 6.4 percent on all nondurables and 6.2 percent on food.²³ Both of these estimates have a standard error of 0.1 percent.

3.2 Spending Categories

In this section we leverage the detailed spending categories available in the JPMCI data to document that the drop in spending at exhaustion appears to reflect a change in a household's actual consumption bundle from the prior month. Although we have shown that *expenditure* drops sharply at exhaustion, a remaining concern is that this would not necessarily imply that *consumption* drops sharply if the categories of expenditures that are falling are those with weak links between the timing of expenditure and the timing of consumption flows. Table 2 decomposes the drop in spending into 27 mutually exclusive and comprehensively exhaustive categories.²⁴ Categories linked to necessities exhibit sharp drops. For example, grocery spending drops by 16 percent, medical out-of-pocket spending drops by 14 percent, and drug store purchases drop by 15 percent. This evidence suggests that consumption falls at exhaustion; however, one important limitation of using bank account data to measure consumption is that we do not capture in-kind transfers such as free food or medical care.

The sharp drop in grocery spending at exhaustion probably reflects a deterioration in diet quality. Aguiar and Hurst (2005) find that unemployment decreases both spending and consumption. Specifically, they compare the diets of employed and unemployed people, controlling for a wide variety of observables, and report a similarly-sized gap in spending on groceries between the employed and unemployed (9–15 percent) to the drop we see within the unemployed at exhaustion. They estimate that a drop of this size causes a nine percentage point decrease in the share of households consuming any fresh fruit and a five percentage point increase in the share of households consuming any hot dogs or processed lunch meat.

In contrast, households appear to prioritize their most important financial commitments at exhaustion and these categories show much smaller declines. Table 2 shows that the drop in spending is quite small for utilities, insurance payments, installment debt, and credit card bills. (In online Appendix E.2 and online Appendix Figure 10, we analyze the evolution of spending on durables in more detail.) There is little evidence to suggest that benefit exhaustion does immediate damage to a household's long-term financial health. These empirical results are consistent with the presence of consumption commitments, as suggested by Chetty and Szeidl (2007).

²³It is ambiguous what time horizon respondents use when they describe their food consumption in the PSID. The estimates above assume the reference period is unemployment onset. Alternatively, if we assume the reference period is an annual time horizon then our comparable estimates are 6.9 percent on nondurables and 4.3 percent on food (online Appendix Table 13).

²⁴Online Appendix Table 14 provides comparable statistics for the onset of unemployment.

To complement our analysis of outflow categories, we also analyze inflow by category throughout the spell. Other than UI benefits, there is little increase in other types of checking account inflows that could offset the loss of labor income (online Appendix Figure 8). In addition, checking account outflows modestly exceed inflows during unemployment, such that the average cumulative drawdown of assets among households that exhaust UI benefits is \$1,389 from the start of unemployment through the exhaustion of benefits. This evidence is broadly consistent with Kolsrud et al’s (2018) finding that households in Sweden show limited drawdown of liquid assets during unemployment.

3.3 State-Level Policy Variation

To provide further evidence that spending is highly sensitive to UI benefits, we exploit the cross-state policy variation available in the JPMCI data. We first analyze event studies of spending in one state with unusually limited UI benefits (Florida) and one state with unusually generous UI benefits (New Jersey). Then, we use all 20 states in our sample to estimate an MPC out of UI benefits.

3.3.1 Event studies in Florida and New Jersey

Figure 4 shows that Florida has unusually limited UI benefits. First, UI benefits lasted four months in Florida from January 2014 through June 2015, which is the time period that we analyze for Florida UI recipients. Second, the drop in household income at onset in Florida is larger than in states where benefits last for six months (“six-month states”). Two factors contribute to this drop: UI benefits replace 40 percent of pre-onset income in Florida, compared to 45 percent in six-month states, and UI recipients in Florida were responsible for 72 percent of pre-onset household income, compared to 64 percent in six-month states.²⁵ Altogether, household income falls by 32 percent at onset in Florida compared to 19 percent in six-month states.

Figure 4 also shows that spending in Florida is much lower during unemployment, and drops sharply at month four, coincident with the expiration of UI benefits. Spending drops more at the onset of unemployment in Florida than in six-month states. Spending drops again at UI benefit exhaustion after four months in Florida and is stable after six months of unemployment. In contrast, the six-month states exhibit the opposite pattern: spending is stable after four months and only drops sharply after benefits run out at six months. The second drop indicates that the drop in spending that we observe coincident with benefit exhaustion for households in six-month states is caused by the end of benefits, rather than by some external negative shock which happens to occur after six months of unemployment.

²⁵Florida has strict eligibility criteria for claiming UI benefits, such that only 11 percent of unemployed households received UI benefits in 2015, compared to 27 percent nationally (McKenna and McHugh 2016). Florida’s strict UI eligibility rules may explain why UI recipients there are more likely to be the household breadwinner.

At the opposite end of the spectrum from Florida, New Jersey has unusually generous UI benefits, as shown in the bottom panels of Figure 4. The drop in household income is small because UI benefits replace 49 percent of pre-onset income (rather than 45 percent on average) and because UI recipients were responsible for 60 percent of pre-onset household labor income (rather than 64 percent on average). The most unique aspect of New Jersey’s benefit structure from a research perspective is that it is one of the few states which does not have a required waiting period before beginning UI payments. This absence of a waiting period leads to the unusual phenomenon that many workers are still receiving paychecks when their first UI check arrives. This induces a sawtooth pattern in average income, which falls as some workers become unemployed, rises by 10 percent in the month with the extra check, and then declines to a stable level thereafter.

Spending has the same sawtooth pattern as income among UI recipients in New Jersey, suggesting that much of the extra check is spent immediately even though households know their income is likely to fall sharply in the following month. This sawtooth pattern is useful for two reasons. First, it indicates that the sensitivity of spending to income is widespread among UI recipients, rather than being limited to exhaustees. Second, it holds for income increases, rather than just decreases, which echoes the prior literature on excess sensitivity that has typically studied income increases.

3.3.2 Marginal propensity to consume (MPC) out of UI benefits

To estimate an MPC, we move from analyzing Florida and New Jersey to exploiting all the cross-state variation in the JPMCI data. We show how the spending change in each state from the calendar month before UI payments begin ($t = -1$) to the first calendar month of full UI benefits ($t = 1$) varies with the UI household replacement rate, defined as the ratio of UI benefits to pre-onset labor income paid by direct deposit. We find that the sensitivity of spending to UI benefits at onset that we documented in New Jersey holds across all 20 states.

We estimate that each additional dollar at the start of unemployment leads to 27 cents of additional spending on nondurables. The top panel of Figure 5 shows the UI household replacement rate on the x-axis and the spending drop by state on the y-axis. The plot shows a strong positive correlation. The plot includes a fit line from a state level regression $\Delta Spend = a + \beta UI$ where the β coefficient indicates that a 10 percent increase in the UI household replacement rate leads to a 3.4 percent spending increase on nondurables. Evaluated at the mean value for UI benefits and spending on nondurables, this estimate implies an MPC of 27 cents with a standard error of seven cents. This empirical design captures the *immediate one-month* spending response to additional UI benefits. We focus on the high-frequency response at onset as best-suited for calculating an MPC because households have time to prepare for benefit exhaustion, though we show in the bottom panel of Figure 5 that a similar pattern holds across states at exhaustion.

Our headline estimate of a nondurables MPC of 27 cents captures only a portion of the spending response to additional UI benefits for two reasons. First, because our empirical design captures the immediate spending response, it will understate the *nondurables* MPC if UI causes households to raise their nondurables spending prior to receipt of the first UI check or if UI benefits in month one raise spending in subsequent months. Second, there is likely some spending response *outside of nondurables*. There are two back-of-the-envelope ways to estimate the total spending response shown in online Appendix Figure 12. For every dollar of UI, we estimate that total bank account outflows rise by 83 cents (this is an upper bound on the MPC because it includes transfers to savings accounts). Alternatively, food spending rises by 10 cents; under homothetic preferences and using a 13 percent food expenditure share from the CE Survey, this implies an MPC of 77 cents.

Although differences in the UI household replacement rate are not exogenous, an institutional feature of the UI system offers a placebo test to evaluate the potential bias in this identification strategy. There is usually a one-month lag between the onset of unemployment and the receipt of UI benefits, as documented in Figures 1 and 2. Online Appendix Figure 12 shows that spending drops an equal amount in high- and low-benefit states before UI payments begin. A cross-state regression of the spending drop from three months before UI receipt to one month before UI receipt on the UI household replacement rate is not economically or statistically different from zero. The fact that spending diverges in high- and low-benefit states only after UI payments begin suggests that our empirical strategy captures the causal impact of UI benefits on spending.

The MPC out of UI benefits is of interest to three distinct literatures. First, there is a literature which argues that if unemployed households have a higher MPC than employed households then this means that increasing UI generosity is an effective macroeconomic stabilization tool (McKee and Verner 2015; Kekre 2017). The high MPC for unemployed households that we estimate is consistent with an MPC for unemployed households that is substantially higher than for employed households.

Second, our MPC estimate helps distinguish among alternative explanations for why spending falls at the start of unemployment. Browning and Crossley (2001) describe three factors which could contribute to the spending drop at the start of an unemployment spell: a temporary drop in cashflows, a decrease in work-related expenses, and a permanent income loss. The cross-state variation provides an empirical strategy for assessing the role of the temporary income loss. The unemployed in states with high UI benefits likely have a similar change in time budget and loss in permanent income to the unemployed in states with low UI benefits. However, for each additional lost dollar of household income, UI recipients in low benefit states cut spending by an additional 27 cents. The total drop in income at the start of unemployment is \$470. Using the MPC estimate to extrapolate linearly, we estimate that the temporary drop in cashflows should cause spending to fall by $(0.27 \times \$470 =)$ \$127. The temporary cashflow channel can explain nearly all of the \$158 drop in nondurable

spending at the start of unemployment. See online Appendix E.3 for further analysis of the role of home production in explaining the drop in spending at the onset of unemployment.

Third, there is a social insurance literature which interprets the MPC as a measure of the consumption-smoothing benefits of UI. Although to the best of our knowledge our estimate is the first for the MPC on *nondurables* out of UI benefits, the prior literature has been able to estimate the MPC on *food*. Our estimated response of food spending to UI benefits is within the range of these prior estimates. Gruber (1997) and East and Kuka (2015) estimate that a 10 percentage point increase in the UI replacement rate raises food spending by 2.7 percent and 1.1 percent respectively using the PSID.²⁶ Our comparable statistic is that a 10 percentage point increase in the UI replacement rate would raise a household’s food spending by 2.7 percent.

3.4 Job-Finding

We use the JPMCI data to estimate the monthly job-finding hazard of UI recipients, which is of interest for two reasons. First, we use the job-finding hazard as an empirical target in estimating our structural model in Section 4. Second, to the extent that there is a spike in the probability of finding a job at benefit exhaustion, it means that not finding a job in this month is particularly bad news. The arrival of this bad news could potentially explain the drop in consumption documented above.

Data limitations have prevented prior work from being able to estimate the job-finding hazard around benefit exhaustion in the U.S. Besides JPMCI, there is no other U.S. dataset we are aware of in which one can (1) observe UI receipt, (2) observe employment, and (3) observe these outcomes at a monthly (or higher) frequency.²⁷ In contrast, most European UI systems collect this data and so job-finding around benefit exhaustion has been calculated in at least eight European countries.

We construct a job-finding hazard using the paycheck data described in Section 2.2.

²⁶These two papers do not report a MPC out of UI benefits. Their analysis focuses on unemployment by household heads rather than by all household members. UI replaces a larger fraction of *household* income when the head is unemployed. Because the JPMCI sample includes all UI receipt (and not just household heads), the estimated MPC on food in the JPMCI sample may be larger than the implied MPC based on the PSID estimates. Empirical results from McKee and Verner (2015) and DiMaggio and Kermani (2016) also suggest a large MPC out of UI benefit levels. However, Browning and Crossley (2001) estimate that a 10 percentage point increase in the UI replacement rate raises total spending by only 0.8 percent.

²⁷The Survey of Income and Program Participation has (1) and (2), the Current Population Survey (CPS) and the Panel Study of Income Dynamics (PSID) have (2) and (3), and UI administrative data have (1) and (3). Prior work using U.S. data suggests there may be a spike in job-finding at UI benefit exhaustion. Kroft et al. (2016) and Rothstein (2011) analyze job-finding for unemployed workers in the CPS and find a spike of about 8 percent in the job-finding hazard after six–seven months of unemployment. Meyer (1990) shows a spike in UI exit hazards from 7.5 percent two weeks prior to benefit exhaustion to 16 percent in the week prior to benefit exhaustion using UI administrative data. Katz and Meyer (1990) show spikes in the job-finding hazard at 26 and 39 weeks among households who received UI benefits at some point in their unemployment using the PSID during a time period when most respondents were eligible for either 26 or 39 weeks of benefits. However, the PSID does not include high-frequency data on UI benefit receipt nor each individual’s potential benefit duration.

When used for measuring job starts, paycheck data contain false positives, which may arise from an employer changing the transaction description on their paychecks, and false negatives, which arise from people paid by paper check. To address these issues, we use the pattern of job starts for people who exit UI prior to benefit exhaustion, and hence are highly likely to exit to a job, to infer the job-finding hazard at UI benefit exhaustion for those who may or may not be exiting to a job. We describe our methodology for constructing a job-finding hazard in more detail in online Appendix D.

We show in Figure 6 that job-finding spikes modestly at UI benefit exhaustion, but we find that the spike is far too small quantitatively to explain the observed drop in consumption at exhaustion. Note that in contrast to the consumption figures where the x-axis measures months since first UI check, the x-axis in Figure 6 measures months since last potential UI check. This allows us to circumvent challenges raised by the monthly time aggregation problem discussed in Section 3.1.1 and provide a clean measure of the spike in the job-finding hazard in the last potential month. Our key finding is that the hazard rate is 18.8 percent with two months of UI benefits remaining and 25.9 percent in the last month when UI benefits are paid, which is about 38 percent higher than the previous month. We report bootstrap standard errors and show that this increase in the hazard is statistically significant. Although the spike we document is economically and statistically significant, we document below in the model section that the spike would need to be more than twice as large in order to rationalize the observed drop in consumption for those failing to find a job in the last month.

Our estimate of a 38 percent spike in the monthly job-finding hazard at benefit exhaustion falls in the middle of the range of estimates from the prior literature studying European countries. For example, Card et al. (2007) estimate a 17 percent increase at 30 weeks and 25 percent increase at 20 weeks in Austria; DellaVigna et al. (2017) estimate a 36 percent increase at 270 days in Hungary; and Schmieder and von Wachter's (2016) figures imply a 46 percent increase at 18 months and 61 percent at 12 months in Germany. Similar to this prior research, we also find that the job-finding hazard gradually falls after UI benefit exhaustion. This pattern might be consistent with unobserved heterogeneity (Paserman 2008), duration dependence (Kroft et al. 2016) or reference dependence (DellaVigna et al. 2017). We analyze a model with unobserved heterogeneity in job search costs in Section 4.

Household search behavior appears highly sensitive to cross-state variation in the generosity of UI benefits. We document this by comparing job-finding hazards in Florida and New Jersey to job-finding hazards in our baseline sample. This parallels our analysis of spending in these two states in Section 3.3.1. As shown in online Appendix Figure 13, the job-finding hazard in Florida is substantially higher than in more generous six-month states in the early months of unemployment and spikes at four months, coincident with the earlier UI benefit exhaustion. In contrast, the same figure shows that the job-finding hazard in New Jersey, which has some of the most generous UI benefits, is significantly lower during

UI receipt but then has a larger spike in the month prior to UI benefit exhaustion when households are about to lose these more generous benefits.

4 Positive Implications for Models of Consumption

We use our empirical setting as a new test to distinguish between the two kinds of theories economists have developed to explain the excess sensitivity of spending to predictable income *increases*: rational (or near-rational) models with forward-looking agents and behavioral models with present-biased or myopic agents. Although a variety of rational models can explain the large response to predictable income increases studied in other contexts, we show that these models cannot explain the large response to predictable *decreases* in income at UI benefit exhaustion. In contrast, a model with present-biased or myopic agents is able to match the JPMCI data.

We describe the setup of our baseline model, which combines the canonical buffer-stock model of consumption in Carroll et al. (2018) with a model of endogenous job search. Agents choose their level of consumption each month, c_t , and their job search effort if unemployed, s_t , to maximize their expected discounted flow of lifetime utility. We assume agents have diminishing marginal utility over consumption $u(c_t)$ and that exerting search effort is associated with a strictly increasing and convex disutility cost $\psi(s_t)$, as in DellaVigna et al. (2017). Agents earn a monthly return of R on their beginning of month assets a_t . The only risk to income z_t comes from unemployment; this risk is partially mitigated by UI benefits, which expire after seven months.²⁸ Income follows a Markov process Π based on exogenous separations from employment and endogenous job search during unemployment. The agent's problem in month t can be written as

$$\max_{\{c_t, s_t\}} u(c_t) - \psi(s_t) + \mathbb{E} \left[\beta \sum_{n=1}^{T-t} \delta^n (u(c_{t+n}) - \psi(s_{t+n})) \right] \quad (3)$$

$$\text{subject to } c_t + a_{t+1} = Ra_t + z_t \quad (4)$$

$$c_t \geq 0 \quad (5)$$

$$a_{t+1} \geq \underline{a} \quad (6)$$

$$Ra_T + z_T - c_T \geq 0 \quad (7)$$

where δ is the exponential discount factor, β is the quasi-hyperbolic discount factor, $u(c) = \frac{c^{1-\gamma}}{1-\gamma}$, $\psi(s) = k \frac{s^{1+\xi}}{1+\xi}$ when unemployed and $\psi = 0$ when employed, z_t evolves according to transition matrix $\Pi(s_{t-1})$, T is the number of months in the agent's life, and \underline{a} is the

²⁸We analyze UI recipients eligible for six months of benefits. In Section 3.1.2, we documented that the decline in household income occurs one month *before* UI receipt begins because of a time lag between job separation and the beginning of UI receipt. To match this feature of the data in the model, we assume that UI benefits last seven months rather than six months.

borrowing limit. The preference parameter γ reflects risk aversion over consumption and $1/\xi$ is the elasticity of search effort with respect to the value of effort. The model's setup nests the canonical rational forward-looking representative agent model with $\beta = 1$ and allows for naive present-bias behavior in the $\beta < 1$ case. We allow for unobserved heterogeneity in job search costs k . In some parameterizations, we also allow for unobserved heterogeneity in β . We solve the household problem recursively by induction.

Where possible, we use data from the JPMCI sample to parameterize the economic environment. We normalize monthly income to 1.00 in the employed state. Household income is 0.83 while receiving UI benefits and 0.54 after UI benefit exhaustion in the JPMCI data.²⁹ For other aspects of the environment and preferences, we draw on external sources described in online Appendix Table 15. We estimate the remaining parameters of the model (denoted collectively by θ) which best fit the spending and job search data from Section 3. The moments \hat{m} are the average monthly consumption levels in Figure 2 and job-finding hazards during unemployment in Figure 6. The estimator chooses the parameters

$$\hat{\theta} = \arg \min_{\theta} GOF(\theta) = (m(\theta) - \hat{m})'W(m(\theta) - \hat{m}) \quad (8)$$

to minimize the goodness of fit (GOF) measure. The weighting matrix W is the inverse of the estimated variance-covariance matrix of the sample moments. It is block diagonal, so the GOF measure can be separated into two additive components: consumption GOF and search GOF. The exact moments are reported in online Appendix Table 16.

4.1 Standard Model

We first examine the model's parameter estimates and predictions for rational forward-looking agents by restricting the quasi-hyperbolic present-bias parameter β to 1. We refer to this as the standard model. In this class of models, agents with liquidity constraints build a buffer of assets to protect against future income risk (Carroll 1997). Prior research summarized in Jappelli and Pistaferri (2010) has found that this type of model can explain excess sensitivity of spending to predictable income increases because households are either unable to borrow or unwilling to deplete their buffer in anticipation of future income increases.

The best fit of this model to the data generates consumption parameter estimates for δ and \underline{a} that are broadly consistent with the prior literature. The first column of Table 3 shows the parameter estimates. We estimate a monthly discount factor δ of 0.99, which implies an annual discount factor of 0.89. This estimate is on the lower end of the prior

²⁹Our household income concept includes labor income from all household members, capital income, and government transfers. The estimates of household income during unemployment here are larger than those shown in Figure 2 because Figure 2 shows the evolution of direct deposit labor income and UI benefits. In contrast, the estimates here include non-labor income and an adjustment for labor income paid by paper check.

literature but in line with estimates from some lifecycle models (e.g., Berger et al. 2018). Our estimate of the exogenous liquidity constraint \underline{a} of 4.5 months of income is about twice the magnitude of unsecured credit lines reported in the SCF (Kaplan and Violante 2014).

The model also generates job search patterns consistent with the prior literature in two ways. First, the bottom panel of Figure 7 shows that average search effort rises prior to exhaustion and falls afterward, similar to the pattern in the data. This model result echoes prior work by Paserman (2008), who shows that a model with unobserved heterogeneity in job search costs is able to match the well-known empirical pattern of rising and then declining job-finding rates. In our model, search effort rises in anticipation of UI benefit exhaustion, especially among the types with low search costs. Then dynamic selection shifts the composition of the sample toward high search cost types thereby lowering the average job-finding hazard, as shown in online Appendix Figure 14.³⁰ Second, our model’s implied responsiveness of search to changes in UI benefit generosity is close to the median estimates in a literature review by Schmieder and von Wachter (2017), as shown in online Appendix Table 17.

Although the standard model’s parameter estimates are consistent with prior work, the model fails to predict the sharp drop in spending at benefit exhaustion. The top panel of Figure 7 visually compares the path of spending in the model to the data. The model does a good job of matching the spending drop at the onset of unemployment. However, with each additional passing month of unemployment, adverse information about the path of future income is gradually revealed. The agents gradually cut spending each month in order to have more assets left in the event that UI benefit exhaustion does occur. Because there is no particular surprise in the month when UI benefits run out, there is no excess drop in spending.

4.1.1 Why the drop at exhaustion is hard to fit with any rational forward-looking model

The results above show that one reasonable model parameterization cannot generate a drop in spending at exhaustion. In this section, we explain why the consumption drop at exhaustion is difficult to fit with *any* rational or near-rational model. We describe three rational theories which have been used in the consumption literature to explain excess sensitivity—liquidity constraints, near-rationality and home production. In each case we show how the behavior in our setting is inconsistent with these potential explanations, leaving us to appeal instead to behavioral explanations with present-biased or myopic agents. In online Appendix F.1 and online Appendix Figure 16, we show that two other theories based on prior labor economics research—permanent income loss and optimism about job search prospects—are also unable to account for the sharp drop in spending at exhaustion.

³⁰In online Appendix Figure 15, we show that a model without unobserved heterogeneity in search costs is unable to match these dynamics and instead, contrary to the data, features rising search effort throughout the unemployment spell.

The discussion in this section clarifies why our empirical setting is particularly useful for distinguishing between the rational and behavioral explanations that have previously been used to explain excess sensitivity.

One popular rational forward-looking theory used to explain excess sensitivity is liquidity constraints, but liquidity constraints cannot explain why agents fail to save. In models with liquidity constraints, spending increases in response to predictable income *increases* because borrowers near their liquidity constraints are unable to smooth consumption by increasing borrowing before they receive the income (Gourinchas and Parker 2002, Kaplan and Violante 2014). However, agents do not need to borrow to prepare for a predictable income decrease such as UI exhaustion, they only need to save. Hence, although these theories can explain why spending would rise after the predictable arrival of a tax rebate, they cannot explain why spending would fall at the predictable *decrease* in income at UI benefit exhaustion.

Our model's results from a corner case further illuminate why the liquidity constraints theory cannot explain the behavior we observe. We examine the behavior of a representative agent who is completely liquidity constrained, with no ability to borrow ($\underline{a} = 0$) and no assets at the onset of unemployment ($a_0 = 0$). We find that even this agent will gradually cut her spending in anticipation of benefit exhaustion, as shown in online Appendix Figure 17.³¹ To smooth consumption around benefit exhaustion, agents only need a saving technology to build up a buffer of assets to prepare for the drop in income. Households receiving direct deposit of UI into their bank account have such a technology by construction and will save to prepare for exhaustion.

Two other prior explanations for excess sensitivity with forward-looking agents are near-rationality and home production, but these theories are also not applicable to this setting. One account of the spending response to tax rebates is that it reflects nearly-rational behavior, in the sense that the decision to spend a large fraction of a tax rebate has little welfare loss relative to the optimal spending path (Fuchs-Schuendeln and Hassan 2016). The key prediction of the near-rational theory is that the estimated MPC is *smaller* when the change in household income is larger (Kuang 2015). This prediction does not hold in the JPMCI data, where the MPC is slightly *larger* among households where UI accounts for a larger share of income (see Figure 3 and Appendix Table 10). A final strand of the literature has suggested that the drop in spending at retirement may be attributable to increased home production (Aguiar and Hurst 2005).³² Because benefit exhaustion is a change in income without a change in the agent's time budget, the observed drop in spending cannot be explained by a change in home production.

We conclude that none of these prior explanations based on rational forward-looking

³¹In the Kaplan and Violante (2014) model, the availability of a high-return illiquid asset with a transaction cost leads agents to hold relatively few liquid assets. It seems likely that an agent in their model with few liquid assets who did not access her illiquid asset would behave similarly to the agent with zero assets at onset in our model, while an agent who did access her illiquid asset would not dramatically cut spending at exhaustion.

³²Stephens and Toohy (2018) re-examine this result using a wide range of dietary intake surveys.

models and labor market expectations are able to explain excess sensitivity to a predictable drop in income at UI benefit exhaustion. In the next section, we explore whether the second class of models previously used to explain excess sensitivity, those with present-biased or myopic households, are better able to explain the empirical behavior we observe.

4.2 Behavioral Model

Can a model with behavioral households explain the sharp drop in spending at UI benefit exhaustion? By behavioral, we mean models where households are either much more impatient than standard exponential discount rates would imply, or are not fully forward-looking. A classic example of this class of models is the hyperbolic discounting model of Laibson (1997). We begin our examination of these models by relaxing our assumption that $\beta = 1$ in equation (3), and allow β to be estimated to capture naive present-bias behavior.

We find that a model with only present-biased agents is unable to fit the data *quantitatively*, but that a present-biased agent helps to *qualitatively* capture the behavior we observe. The results from allowing β to be estimated on a grid between 0 and 1 are shown in column 2 of Table 3. We find that the parameter estimates are unchanged, i.e. that even when we relax the assumption that $\beta = 1$, the model that best fits the data is one with no present bias such that the estimated β is also equal to 1. To see why present-bias cannot explain the data by itself, we consider a corner case where the household has a degree of present-bias similar to that estimated in prior work (Laibson et al. 2007; DellaVigna et al. 2017). For this case, we set $\beta = 0.5$ and leave the other parameters unchanged from the standard model parameterization in column 1 of Table 3.

A household that is highly present-biased and liquidity-constrained does indeed have a sharp drop in spending at exhaustion and little drop prior to exhaustion, as shown in online Appendix Figure 17. This behavior can be thought of as a micro-founded version of Campbell and Mankiw's (1989) hand-to-mouth consumer in their "spender-saver" model, because she sets consumption very close to income each period.³³ However, both the drop at onset and the drop at exhaustion are far too large relative to the average path we observe in the JPMCI data. These counterfactually large drops are why we find little present-bias when we estimate our standard model. Nevertheless, the path of spending we find in this corner case suggests that the behavior we observe is qualitatively well matched by this type of model, generating a sharp drop at exhaustion with little drop prior to exhaustion in a way that none of the rational forward-looking models explored in the prior section were able to generate.

Since we find that a model with only present-biased households cannot quantitatively fit the data, but that including such households is crucial for generating a qualitatively sharp

³³We evaluate the model for the present-biased agent starting 12 months before unemployment. This is enough time for the agent to exhaust her initial assets, so that she has no assets remaining and sets consumption equal to income before unemployment begins.

drop at exhaustion, we next examine a model where households may differ in their present-bias parameter. Specifically, we add two more parameters to the standard model by allowing for heterogeneity in the β parameter, which can be either β_{low} or β_{high} and estimating the share of each in the data. This model thus has a total of four types: low β with low search cost, low β with high search cost, high β with low search cost, and high β with high search cost. Our parameter estimates are shown in column 3 of Table 3. We estimate substantial present-bias among some consumers, with $\hat{\beta}_{low} \approx 0.5$. For the remaining consumers, we estimate $\hat{\beta}_{high} \approx 0.9$, but we obtain very similar results if we re-estimate the model under the assumption $\beta_{high} = 1$ (see online Appendix Table 18) and therefore refer to the high β consumers as “standard agents.”

In contrast to models with only patient forward-looking households, we find that the model with a mix of present-biased agents (“spenders”) and standard agents (“savers”) generates a predicted spending path that closely tracks the empirical path of mean spending during unemployment. This mix of agents echoes the “spender-saver” model in Campbell and Mankiw (1989). Figure 8 shows that this model is able to match both the gradual drop in spending during UI receipt as well as the sharp drop in spending at UI benefit exhaustion.³⁴ Allowing for some agents with low β enables the goodness-of-fit measure for consumption to fall from 350 for the standard model to 99 in the model with two types of β . The intuition for why the model fits well is that the mean path of spending in the data is well-approximated by four line segments: (1) a sharp drop at onset, (2) a gradual decline during UI receipt, (3) a sharp drop at exhaustion, and (4) a gradual decline after exhaustion. The low β agents enable the model to match the sharp drops (1) and (3), while the high β agents enable the model to match the gradual declines (2) and (4).

We generate hand-to-mouth behavior using naive present-bias—rather than a low exponential discount parameter δ —because of the plausibility of the parameter values needed to generate a discrete drop at exhaustion. Even a monthly discount factor δ of 0.9 (corresponding to an annual discount factor of 0.28) generates both an anticipatory drop before exhaustion and a further drop in spending after exhaustion. This is a high degree of impatience relative to the prior literature: nine times more impatient than the most impatient agent in Carroll et al. (2017) and 12 times more impatient than the most impatient agent in Krusell and Smith (1998). Only by lowering δ as far as 0.6 is it possible to generate a drop primarily in the month of benefit exhaustion, with roughly constant spending in the prior and subsequent months. Online Appendix Figure 17 shows these results visually and online Appendix Figure 18 shows the evolution of average consumption and search in a model where some agents have very low δ .

Table 3 column 4 shows that the model with δ heterogeneity has two shortcomings. The model’s goodness-of-fit for consumption is 148, which is slightly worse than the goodness-

³⁴The path of consumption and search by each of the four types of agents are shown in online Appendix Figure 19.

of-fit estimate of 99 with heterogeneity in β (but far better than the fit measure of 350 for the standard model). More problematic is that the model has an implied annual discount factor of 0.002, such that the agents are *myopic*, placing essentially no weight on future consumption. In contrast to our results with $\beta = 0.5$, the exponential discount factor needed to generate hand-to-mouth behavior is inconsistent with prior work (Frederick et al. 2002).

We find estimates in line with prior work in terms of the composition of consumer types. We estimate that 25 percent of consumers in the population are present-biased in a way that generates hand-to-mouth behavior. This estimate is in line with recent estimates of the share hand-to-mouth used to interpret the consumption response to tax rebates (Kaplan and Violante 2014).³⁵ One interesting feature of our results is that there is dynamic selection of β types, similar to the dynamic selection in job search costs discussed above. Present-biased types have time-inconsistent preferences over job search—they search too little today because they incorrectly expect that they will search more tomorrow—and so the share of present-biased types among the unemployed rises over time. By month five—the last month of UI benefits—the present-biased types are 33 percent of the population.

4.3 Out-of-Sample Tests and Summary

One common critique of behavioral models is that even if they do a good job of capturing the facts at hand, introducing behavioral elements is a form of over-fitting (Gabaix and Laibson 2008). In many empirical contexts there is one benchmark rational model, but there are many possible behavioral models. If we select which behavioral model to estimate after seeing the data, this model is likely to make worse out-of-sample predictions than a more parsimonious rational model. In our context, we introduce present-biased agents in order to better fit the drop at exhaustion. A skeptical reader might expect that the rational model will do better when applied to a new economic environment (DellaVigna 2017).

Motivated by this critique, we compare the predictions of the models from the previous sections in a new economic environment: unemployment in Florida. As discussed in Section 3.3.1, Florida has some of the least generous UI benefits in the U.S. UI benefits replace only 40 percent of household income in Florida and last only four months. We take agents with the preferences estimated in Table 3 and compute optimal spending and search decisions for an environment with the household income process of UI recipients in Florida. The heterogeneous β model does a better job of fitting the spending data than the standard model, as shown visually in Figure 9. The improvement in fit is confirmed

³⁵Our estimate is also qualitatively consistent with estimates based on time series data. Campbell and Mankiw (1989) estimate that aggregate data on *annual* consumption are consistent with about 50 percent of agents being hand-to-mouth consumers and 50 percent being permanent income consumers. Unlike Campbell and Mankiw, our second consumer type is a buffer stock agent with an exogenous liquidity constraint rather than a permanent income consumer, and this buffer stock type exhibits excess sensitivity behavior between a permanent income type and a hand-to-mouth type. Hence it is not surprising that we would estimate a larger share of buffer stock agents than Campbell and Mankiw estimate of permanent income consumers.

quantitatively by comparing the GOF measures for the consumption data, which are 169 and 406 respectively.³⁶

We also explore using the distribution of the spending drop to test another prediction of the model in Section 4.2, but this test is inconclusive. Evaluated at our parameter estimates, that model features some agents who are very impatient and the rest are rational. This model has a testable prediction that there should be a bimodal distribution of consumption drops at exhaustion with a large mass close to zero and a second point mass equal to the value of UI benefits lost. We investigate this distribution empirically in an attempt to test this prediction. Unfortunately, because household income and spending are so volatile on a month-to-month basis, the JPMCI data around exhaustion are not informative for this question.³⁷ In future work, it would be interesting to use other types of heterogeneity—such as by unemployment duration (Figure 1) or by asset levels (Figure 3)—to further test these models. For example, it may be difficult for the heterogeneous β model to capture the empirical pattern of a drop in spending among high-asset types if those types have high β .

We propose a new test to distinguish between rational (and near-rational) models of consumption and behavioral alternatives with present-bias or myopia. We conclude that any model which can explain the behavior we document must include some agents who behave in a hand-to-mouth fashion, such that the model generates a large spending drop from a predictable income decline. Prior theories which sought to explain excess sensitivity using liquidity constraints, exponential impatience, near-rationality, and home production do not generate a large drop in spending from a predictable income decline at UI benefit exhaustion. A model with a significant share of agents that are present-biased matches the behavior of people eligible for six months of UI benefits. It also performs well in one out-of-sample test: predicting spending in Florida, which has much less generous UI benefits.

Finally, it is important to note that our new test distinguishes between rational models of consumption and a *class* of behavioral alternatives with present-bias or myopia. We implement a model with heterogeneity in present-bias, but as discussed above we could have generated the same results with some myopic agents who placed essentially no weight on utility from consumption one year in the future. Another intriguing possibility is that a large fraction of agents cut their spending at exhaustion by less than the drop in income, but more than the very small drop predicted by the rational model.³⁸

³⁶Online Appendix Figure 20 shows that the models make similar predictions for search effort in Florida.

³⁷Although there is a sharp point mass in the *income* change distribution due to lost UI benefits, the distribution of the change in checking account *inflows* is much more diffuse, as shown in online Appendix Figure 21. Checking account inflows are more diffuse because they include non-UI deposits such as paper checks, transfers between accounts and other uncategorized transactions. Because the change in checking account inflows is diffuse, the fact that the spending drop at benefit exhaustion is also diffuse is not informative for distinguishing between models of consumer behavior.

³⁸An example of a model where all agents cut spending at exhaustion by more than predicted by our baseline model is Gabaix (2016). In this model, agents have a cost of gathering all the information necessary to plan future consumption. They underestimate the size of the income drop associated with UI benefit exhaustion, are surprised by the size of the actual income drop at UI benefit exhaustion, and cut spending at exhaustion. We describe the logic underlying the model and our estimation procedure in online Appendix

5 Normative Implications for UI Policy

In this section, we use our empirical results to estimate the consumption-smoothing gain from extending the duration of UI benefits. Although most prior work on optimal UI benefits has focused on the *level* of UI benefits, there is substantial policy variation across countries, states, and time in the potential *duration* of benefits. A newer strand of the literature has developed theory to examine the welfare implications of extending the duration or changing the path of UI benefits (Kekre 2017; Schmieder and von Wachter 2017; Kolsrud et al. 2018). Implementing these theories requires estimates for both the fiscal costs and the consumption-smoothing gain of extending the duration of UI benefits. Although there is a rich literature on the former, we are not aware of any paper with estimates of the latter. As we show below, our estimates of the drop in consumption at benefit exhaustion help identify these consumption-smoothing gains.

We find that the welfare gains from improved consumption-smoothing due to extending the duration of UI benefits are four times as large as from raising the level of UI benefits. The economic intuition for our result is that long-term unemployment is a state of the world where consumption is much lower and marginal utility is much higher. Duration extensions target this high marginal utility state of the world more effectively than level increases. Finally, we show that extensions have positive welfare impacts even after taking into account the fiscal externality from UI benefits.

We calculate the consumption-smoothing gains from level increases and duration extensions using a sufficient statistic formula.³⁹ Specifically, we use the formula developed by Schmieder and von Wachter (2017) (henceforth SvW), who generalize the two-state Baily-Chetty formula to allow for an integrated treatment of the welfare consequences of changing benefit levels and durations in an environment where UI benefits last for a limited number of periods. We briefly describe their approach here and refer readers to their paper for further details. These formulas are also similar to those in Kolsrud et al. (2018), who develop a methodology to evaluate the welfare implications of small changes to the benefit level at any point in the unemployment spell.⁴⁰

First, we consider a benefit level increase db . This is financed by a tax increase $d\tau$ on employed households. In states $j \in \{1 \dots 7\}$ the household is unemployed and receiving UI benefits. We calculate average consumption during each month of UI receipt \bar{c}_j using our

F.2 and show the results in online Appendix Figure 22. The model is qualitatively successful in that it produces a larger drop in spending at exhaustion than our baseline model of fully rational forward-looking households. However, our implementation of this model is unable to quantitatively match the size of the drop at exhaustion.

³⁹In Online Appendix G and online Appendix Table 20 we compare the gains in the context of the structural model from Section 4.2 and find very similar results.

⁴⁰They empirically analyze the optimal path of UI benefits in Sweden, where exhaustion is not relevant because there is no time limit on benefit receipt (though the benefit level becomes less generous after 20 weeks of unemployment). The Schmieder and von Wachter (2017) formula can be thought of as a special case of Kolsrud et al. (2018) applied to evaluate a larger change in UI benefits—increasing the benefit level in the first month of exhaustion from zero to the level prior to exhaustion.

estimate of the average consumption path in Figure 2. We calculate π_j , the fraction of time that households are in each state, using our estimates of the job-finding hazards reported in Figure 6. Equation (1) in SvW implies that, in this environment, the welfare gain of a benefit level increase can be approximated as

$$\frac{dW}{db} \approx \left[\sum_{j=1}^7 u'(\bar{c}_{ui,j})\pi_j \right] db - u'(\bar{c}_{emp})\pi_{emp}d\tau. \quad (9)$$

The intuition for this formula is that the first term values the transfer db to each month of UI receipt using the marginal utility for the average household in that month (weighted by the share of households who reach that month of UI receipt), and the second term values the cost of financing this transfer by raising taxes $d\tau$ in the employed state using the marginal utility of the average employed household. When we implement this formula in Table 4, we report this welfare change normalized by a Lucas-type money metric: $\frac{d\bar{W}}{db} = \frac{dW}{db} / u'(\bar{c}_{emp})$.

Second, we consider an extension in the potential duration of benefits by dP periods. This raises income in each of these periods by the benefit level b , and is similarly financed by a tax increase $d\tau$ on employed households. Since we will focus on one-month extensions, we calculate average consumption of exhaustees (who receive this benefit extension) $\bar{c}_{exhaust}$ using our estimate for average consumption in the first month of exhaustion in Figure 2. Equation (2) in SvW shows that the welfare gain from this potential benefit duration extension can be approximated as

$$\frac{dW}{dP} \approx u'(\bar{c}_{exhaust})\pi_{exhaust}b \cdot dP - u'(\bar{c}_{emp})\pi_{emp}d\tau. \quad (10)$$

The intuition for equation (10) is similar to equation (9), except that the transfer of benefits ($b \cdot dP$) is going to the first month after exhaustion and so is valued according to the average marginal utility of consumption for that group.

To implement the formulas above quantitatively, we consider benefit increases and extensions of equivalent cost. In the absence of job search distortions (which we return to below), the tax increase needed to finance a one-month benefit extension dP is also sufficient to fund a 1.8 percentage point increase in household income db during UI receipt. As in Section 4, we assume constant relative risk aversion with a risk aversion parameter of two. Implementing equation (9) for such a benefit increase, Table 4 shows in column 1 that private welfare is 0.021 percent higher when using the JPMCI nondurable consumption estimates and 0.019 percent higher when using the Gruber (1997) PSID food consumption estimates. This is unsurprising because Section 3.1 shows that our estimates of the spending drop during UI receipt are similar to Gruber (1997). However, Gruber is unable to measure the consumption-smoothing value of extensions because the PSID only contains annual consumption data.

We fill this gap using the SvW generalization of the Baily-Chetty formula and find that

duration extensions have consumption-smoothing gains that are four times larger than level increases. Implementing equation (10) indicates that welfare is 0.082 percent higher under a one-month benefit duration extension, which is four times larger than the gains from level increases discussed in the previous paragraph. This result is not driven by our choice of the risk aversion parameter. The ratio of the gains from a duration extension to the gains from a level increase varies from 3.6 to 4.8 as the risk aversion parameter rises from around one to four (online Appendix Table 19).

A full evaluation of the welfare gains from increasing benefit levels and extending benefit durations requires incorporating the fiscal externality due to job search distortions from more generous UI. Our data are not well-suited for analyzing job search distortions, so we use estimates from the SvW literature review.⁴¹ They propose a metric which is the ratio of behavioral cost (BC)—the total cost to the government of increasing UI generosity, including the extra spending induced because UI recipients will respond by taking longer to find a job—to the mechanical cost (MC) of increasing generosity absent any change in behavior. They call this statistic the “BCMC” ratio. In their literature review, they report a median BCMC ratio of 1.32 across 12 studies of increases and a median BCMC ratio of 1.52 across 11 studies of extensions. This implies that spending \$1 on extensions is 15 percent more expensive than spending \$1 on level increases. The specific concern here is that because the BCMC ratio is larger for extensions than for level increases and each policy is funded with a tax on the employed state, then the welfare cost from the increased taxes needed to fund the extensions may outweigh the extra consumption-smoothing gains documented above. We continue to find a welfare increase from UI benefit extensions, even after incorporating the fiscal externality from job search distortions. To incorporate the fiscal externality, we re-evaluate equations (9) and (10), adjusting taxes for the median BCMC ratios from SvW. Table 4 shows that increasing UI benefits *lowers* welfare by 0.023 percent, while extending benefits *raises* welfare by 0.016 percent.

A promising area for future research is to examine the consequences of UI benefit increases and extensions in a richer policy space and with richer models of job search. On the policy side, the presence of households who sharply cut spending in response to a sharp cliff in benefits may mean that the time-limited benefit schedule observed in the U.S. is itself sub-optimal. It would be interesting to understand the welfare consequences of dramatically

⁴¹The problem is that our data only have *cross-sectional* variation in UI benefit levels, while SvW review *quasi-experimental* estimates of the distortions from changes in UI generosity. Although most of the estimates in the SvW literature review come from European countries, we obtain similar estimates using our cross-sectional variation in the fiscal cost of alternative UI policies in Florida and New Jersey, which suggests that the median of the SvW estimates is a plausible benchmark for U.S. data. In New Jersey, the mechanical cost of higher monthly benefits is 7.8 percent higher UI spending, compared to other states where UI benefits last six months. Using the central estimate of BCMC ratios from SvW, we project that total expenditures per UI recipient will be 10.4 percent higher. In fact, they are 11.0 percent higher in the JPMCI data. In Florida, the mechanical savings from lower benefit levels and shorter durations is 38.5 percent lower UI spending. Using the central estimates of BCMC ratios from SvW, we project that total expenditures per UI recipient would be 49.1 percent lower. In fact, they are 45.7 percent lower in the JPMCI data.

reforming the benefit schedule by allowing for permanently stable, gradually declining, or gradually increasing benefits. In addition, it would be useful to conduct a welfare analysis which embeds a model with reference-dependent job search (e.g. DellaVigna et al. 2017) and/or human capital depreciation (Acemoglu 1995). It is possible that introducing these forces would reduce the apparent attractiveness of benefit extensions (Lindner and Reizer 2016).

6 Conclusion

This paper documents the paths of spending and job search during unemployment using high-frequency bank account data. Spending is highly responsive to the level of UI benefits and drops sharply at benefit exhaustion. Job search is also responsive to the level of UI benefits, rising at benefit exhaustion and falling afterward. The drop in spending in response to a predictable income decline is an identified moment allowing us to distinguish between two kinds of theories economists have developed to explain the excess sensitivity of spending to income. We show that this drop is inconsistent with the rational buffer stock model. Instead, a model where some liquidity-constrained agents exhibit present-bias or myopia is necessary to match the path of spending during unemployment. Low spending after exhaustion implies that the consumption-smoothing gains from extending UI durations are four times larger than the gains from increasing the level of UI benefits.

We highlight three interesting directions for future research. First, measuring the high-frequency consumption responses to other predictable income declines will continue to improve our understanding of consumption models. For example, in subsequent work Jorring (2018) studies the consumption response to the upward resetting of payments on home equity lines of credit and Baugh et al. (2018) study the consumption response to income tax payments.

Second, it would be interesting to further explore our finding that households do not seem to borrow much during unemployment. For example, households only borrow an average of about \$20 per month on Chase credit cards during unemployment, despite having large unused credit lines. Because unemployment is a mostly temporary shock to income, the rational buffer stock model predicts a large increase in credit card utilization during unemployment. The absence of credit card borrowing we observe among unemployed households is particularly striking against the backdrop of widespread credit card borrowing by U.S. households overall (Laibson et al. 2007).

Finally, our estimated model implies that the distribution of the spending drop is bimodal, with many households cutting spending by an amount equal to the income loss at benefit exhaustion, and a small spending drop for the remainder of households. Another theory consistent with the data is that a large share of households are slightly myopic, cutting spending by some amount less than the lost income. As we discuss in Section 4.3, it is difficult to test between these hypotheses using the JPMCI data because of volatility

in checking account inflows. With data on total household liquid assets to better identify which households are hand-to-mouth or an alternative statistical methodology for studying income and spending, it might be possible to distinguish between these hypotheses.

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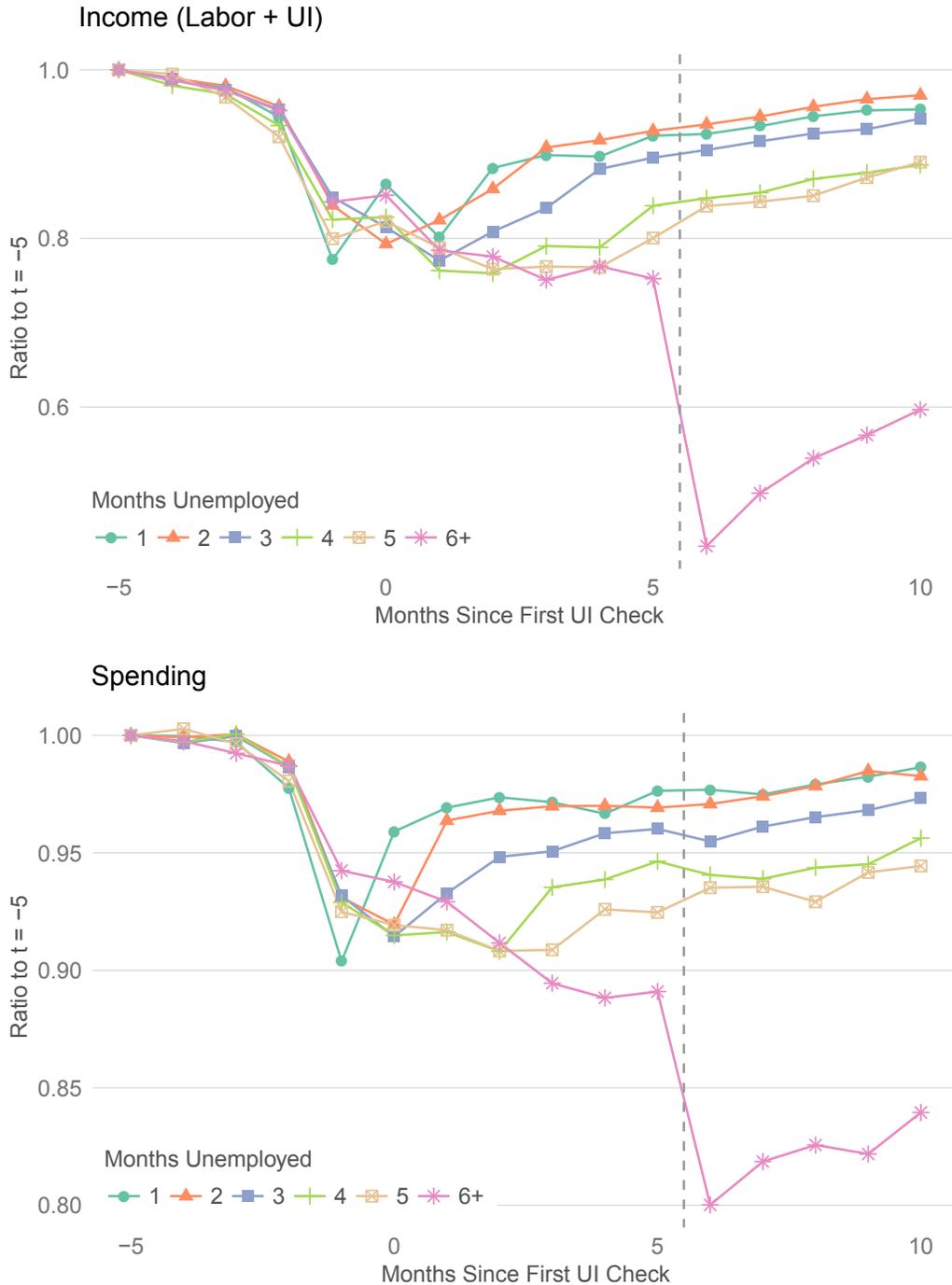
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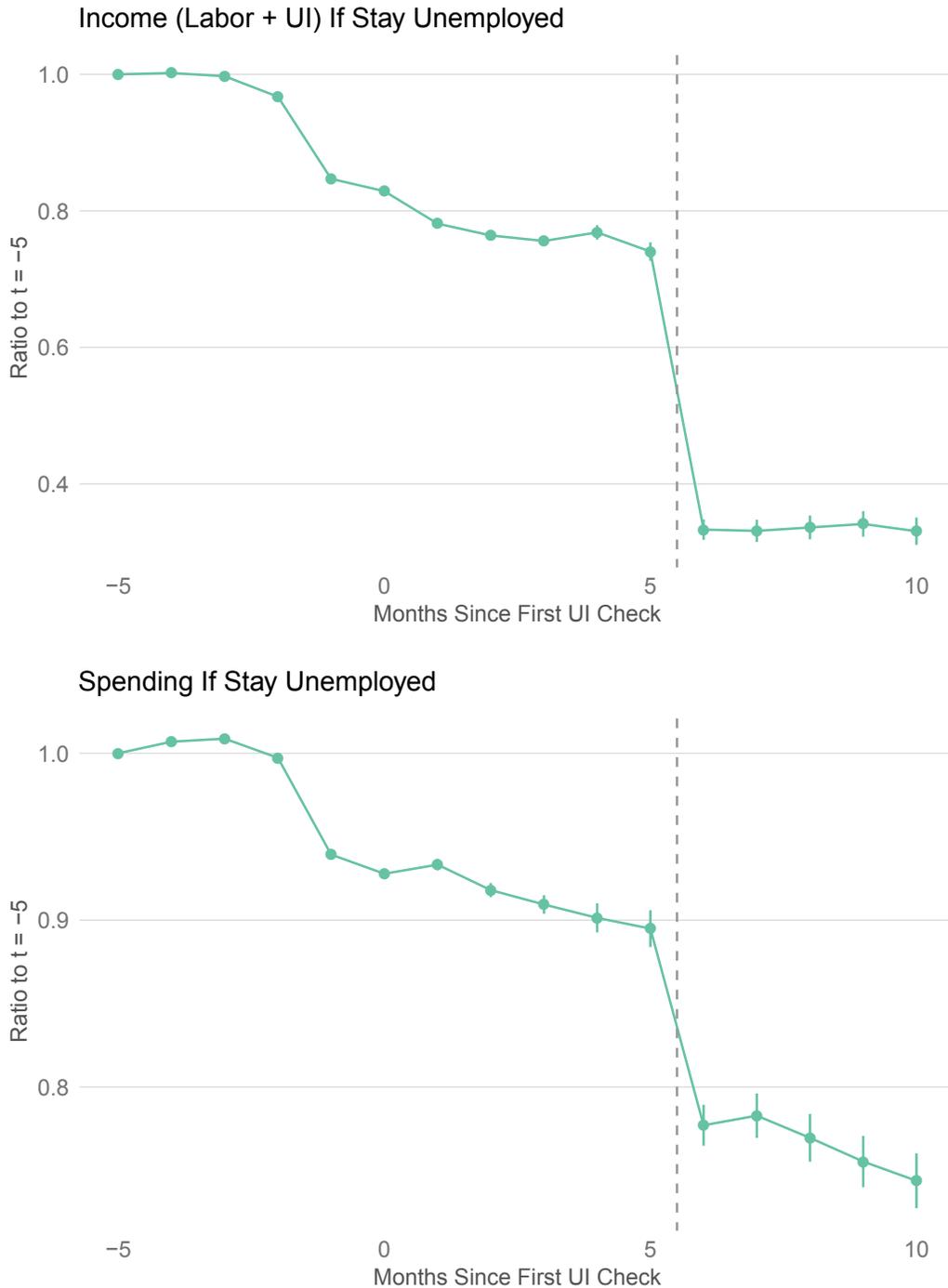
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Figure 1: Event Study by UI Duration



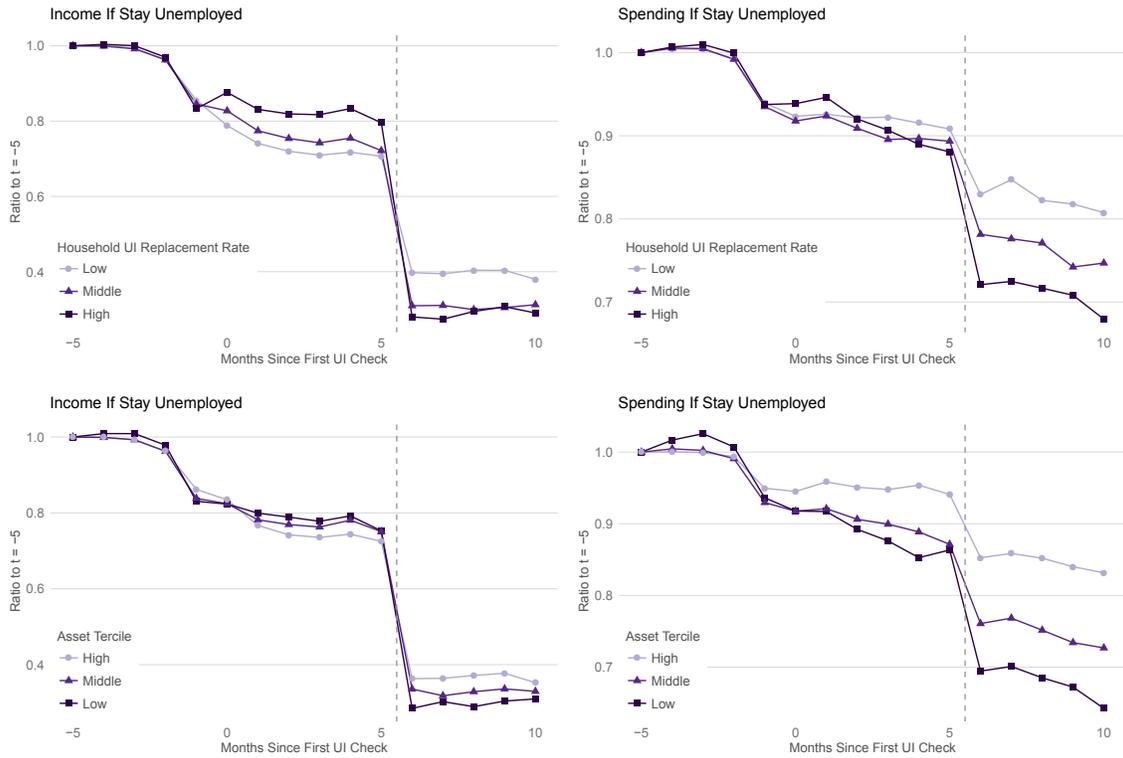
Notes: This figure plots household labor income plus UI benefits (top panel) and spending on nondurables (bottom panel) as a function of completed UI duration. The vertical line marks UI benefit exhaustion. Income is positive after UI benefit exhaustion because of labor income of other household members. The 6+ group includes all households who receive six months of UI benefits and, unlike the other lines, is a composite of households with different non-employment durations. In online Appendix Figure 4 we further stratify the spending path for the 6+ group to show results separately for exhaustees with non-employment durations of 6, 7, 8, 9, and 10+ months. Sample is households that receive UI benefits and meet the sampling criteria described in Section 2.1.

Figure 2: Income and Spending If Stay Unemployed



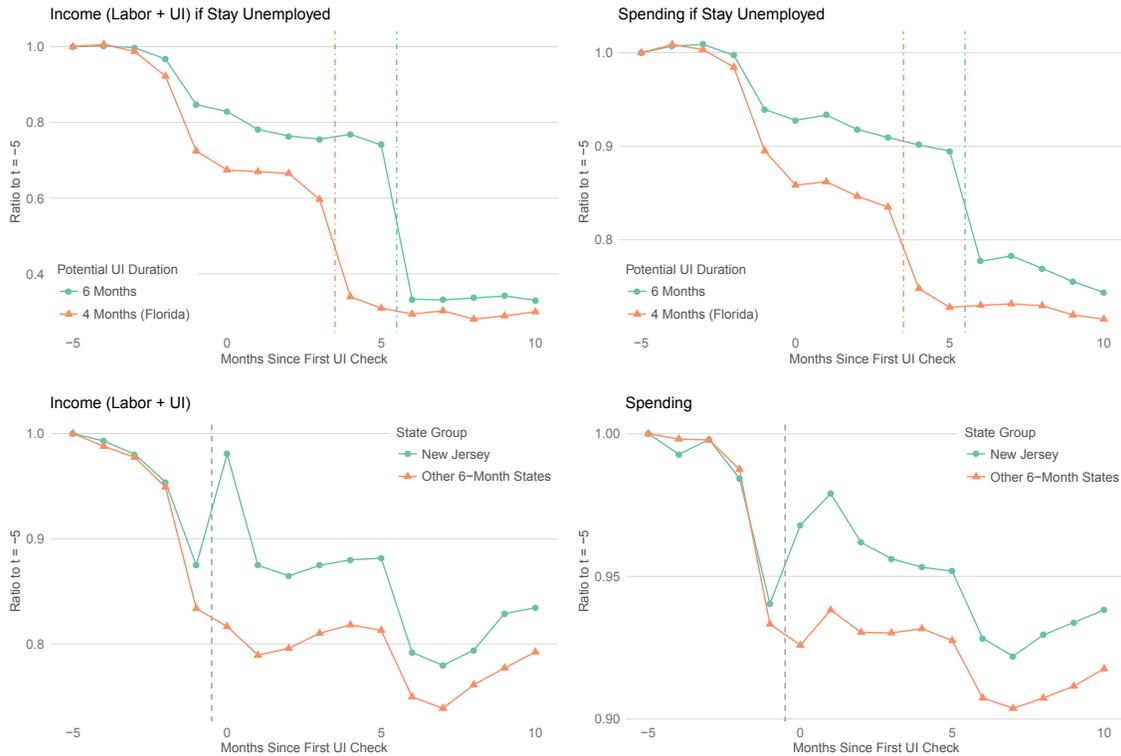
Notes: This figure plots income and spending for the sample that stays unemployed. In months $t = \{-5, -4, -3, -2, -1, 0\}$, this includes everyone who receives UI at date 0 and meets the sampling criteria described in Section 2.1. In month $t = 1$, this includes only households who continue to receive UI and excludes households who receive their last UI check in month 0. In month $t = 2$, this excludes households who receive their last UI check in month 0 or month 1, and so on. Employment status after UI exhaustion is measured using paycheck deposits. The vertical line marks UI benefit exhaustion. Income is positive after UI benefit exhaustion because of labor income of other household members. Vertical lines denote 95 percent confidence intervals for change from the prior month. See Section 3.1.1 for details.

Figure 3: Heterogeneity in Income and Spending If Stay Unemployed



Notes: This figure shows heterogeneity in income and spending by the ratio of UI benefits to estimated household annual income and the ratio of estimated total liquid assets (a measure described in Section 2.2) to consumption prior to the onset of unemployment. The sample is households that receive UI and stay unemployed, as described in the note to Figure 2.

Figure 4: Spending and State-Level Variation in UI Potential Duration and Timing

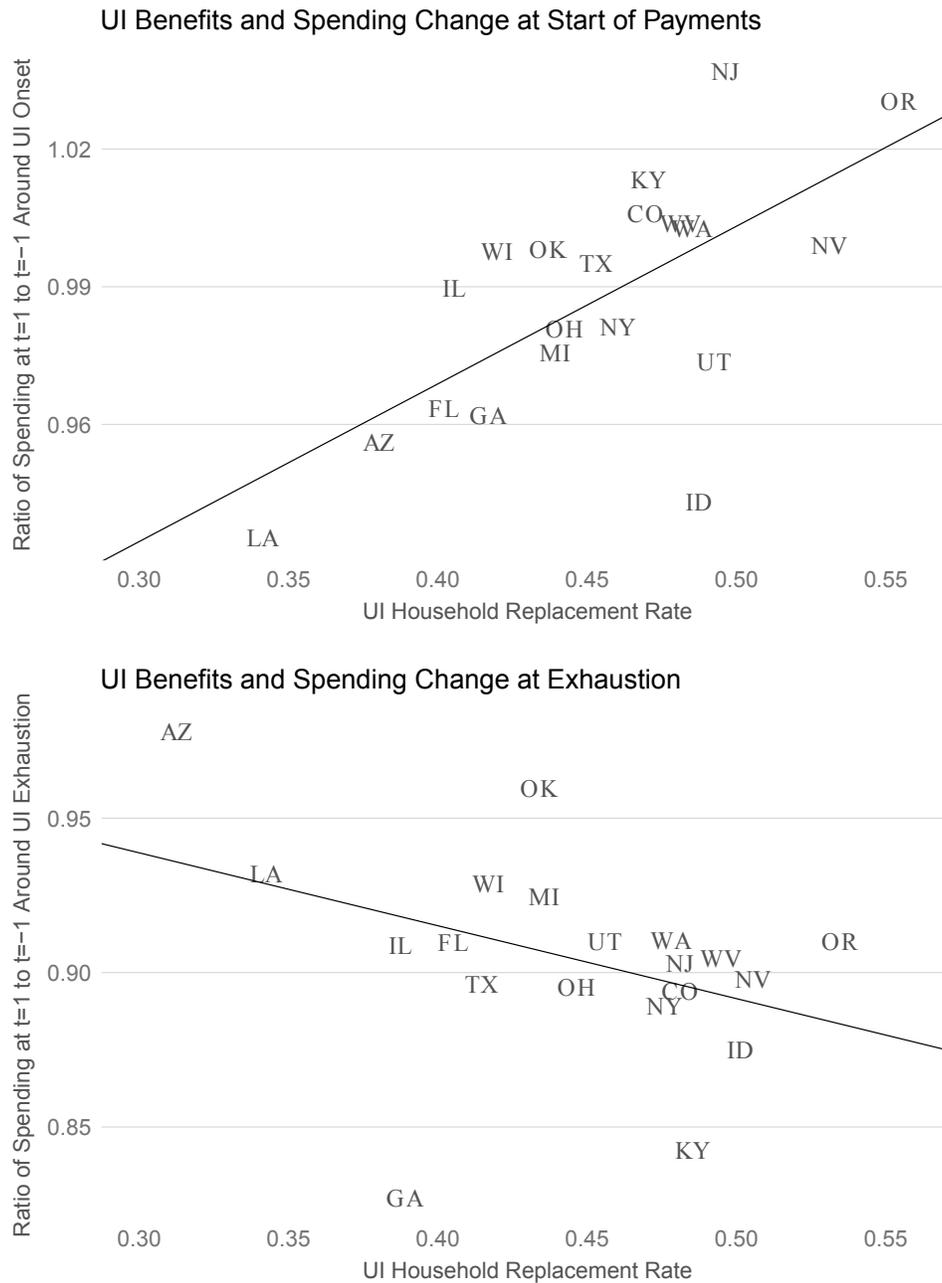


Notes: This figure analyzes income and spending in Florida (top panels) and New Jersey (bottom panels). See Section 3.3.1 for details.

Top panels: Although most states offer up to six months of UI benefits, Florida offered a low UI benefit for up to four months from January 2014 through June 2015. This figure compares income and spending for people who stay unemployed in Florida to six-month states. The vertical lines mark exhaustion. See Section 3.3.1 for details. The sample is households that receive UI and stay unemployed, as described in the note to Figure 2.

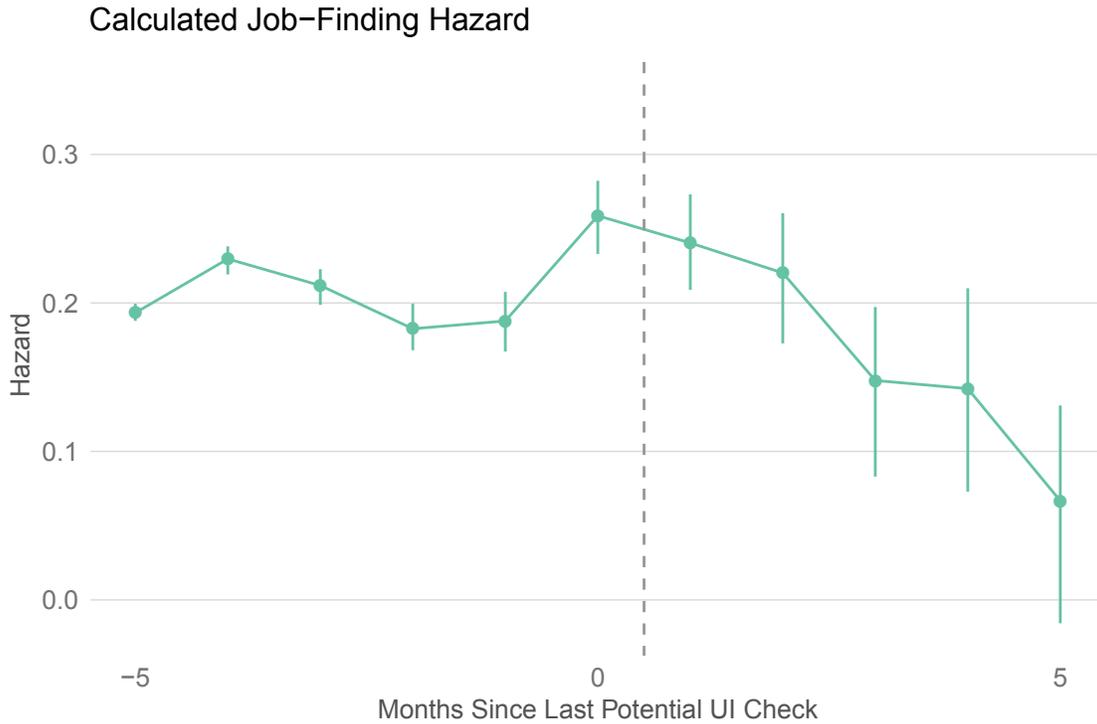
Bottom panels: Compared to other states offering six months of benefits, New Jersey has a high benefit level and begins benefit payments quickly after unemployment onset. On average, income spikes at the beginning of UI receipt in New Jersey because there is a week where the household receives both a paycheck and a UI check. This figure plots income and spending for all UI recipients that meet the sampling criteria described in Section 2.1 (not just those who stay unemployed) in order to emphasize the spike in income and spending at onset. Online Appendix Figure 11 plots the same series for the stay-unemployed sample. The vertical line marks the beginning of UI payments.

Figure 5: Marginal Propensity to Consume Out of UI Benefits



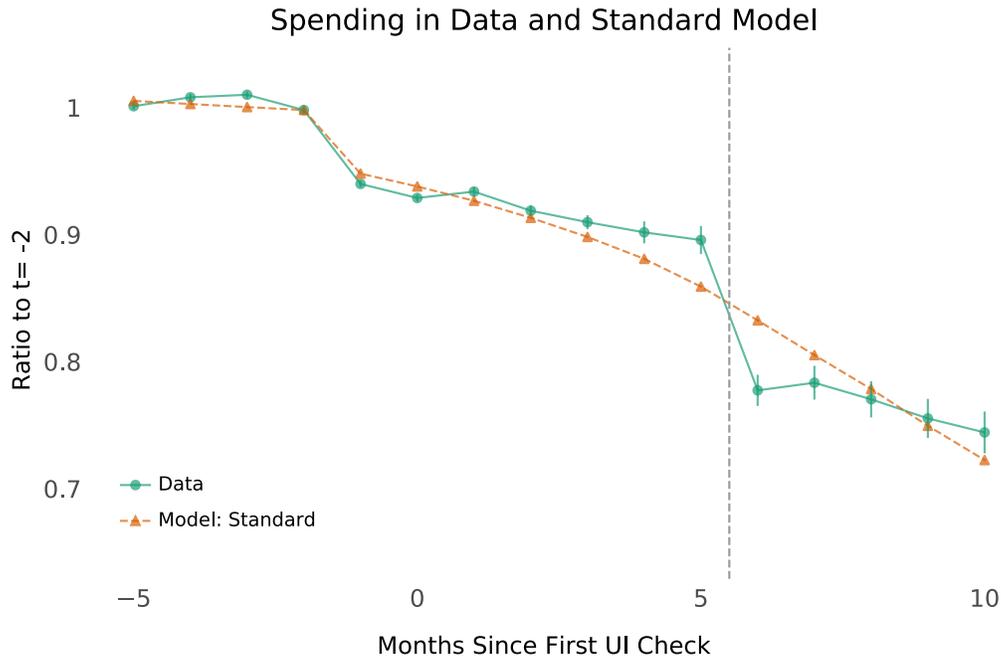
Notes: This figure compares the state-level UI household replacement rate and spending change around UI onset (top panel) and UI exhaustion (bottom panel). The estimated slope in the top panel implies a marginal propensity to consume of 27 cents out of UI benefits. We analyze households that receive UI benefits and meet the sampling criteria described in Section 2.1. The top panel includes households that received a full calendar month of benefits at $t = 1$ and the bottom panel includes households that exhausted UI benefits. The x-axis values differ between the two panels because the bottom panel calculates the replacement rate for exhaustees only. See Section 3.3.2 for details. The two states that are outliers in the bottom panel—Arizona and Georgia—account for 0.6 percent and 1.3 percent of the sample of exhaustees, respectively.

Figure 6: Job-Finding Hazard



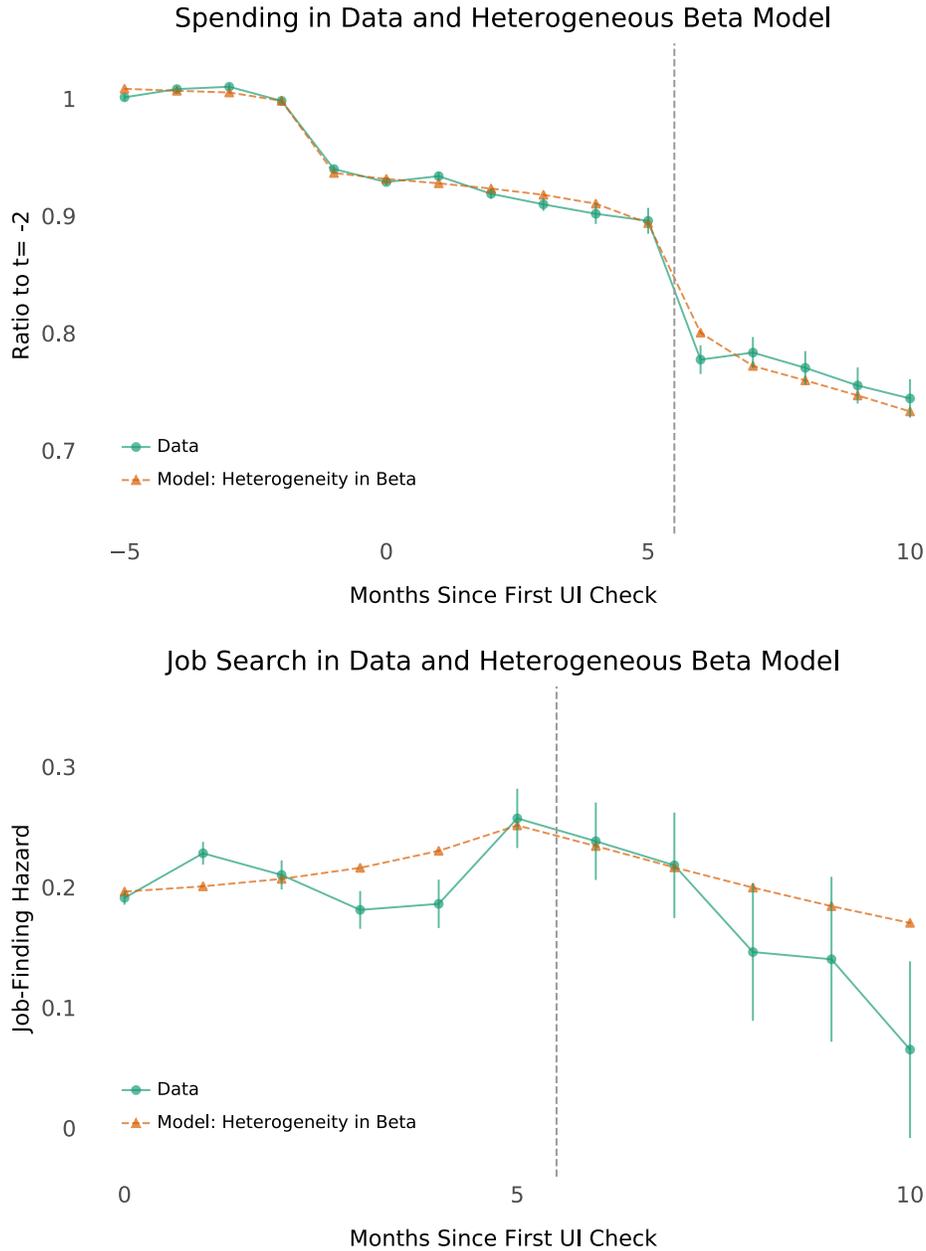
Note: This figure plots job-finding hazards around UI benefit exhaustion. See Section 3.4 for details on how we construct a job-finding hazard from paycheck-inferred job starts by UI recipients. Vertical lines denote 95 percent confidence intervals computed by bootstrap. Among households eligible for 26 weeks of benefits, 37 percent will receive benefit checks in six calendar months and the other 63 percent will receive benefits for seven calendar months. This figure pools these groups and reports the job-finding hazard by months until the last potential UI check is received. Online Appendix Figure 26 reports job-finding hazards separately for these two groups.

Figure 7: Standard Model



Notes: This figure plots the predictions of the “standard model” which features rational forward-looking agents with a liquidity constraint described in Section 4.1 alongside data on spending and job search during an unemployment spell from Figures 2 and 6, respectively. The figure shows average predicted behavior aggregating over two types of agents with different job search costs. Predictions and data are for an environment where UI benefits last six months and the UI recipient stays unemployed for ten months. See online Appendix Figure 14 for spending and search behavior of each type in the model.

Figure 8: Heterogeneity in Beta



Notes: This figure plots the predictions of the model with heterogeneous agents described in Section 4.2 alongside data on spending and job search during an unemployment spell from Figures 2 and 6 respectively. This model features heterogeneity in the patience parameter β —which provides a micro-foundation for “spender-saver” dynamics in aggregate spending—and job search cost parameter k . Predictions and data are for an environment where UI benefits last six months and the UI recipient stays unemployed for ten months. See online Appendix Figure 19 for spending and search behavior of each type in the model.

Figure 9: Out-of-Sample Test of Models

Spending in Data and in Models,
Out of Sample Test With Low-Benefit State Florida



Notes: We use the standard model estimated in Figure 7 and the heterogeneous β model estimated in Figure 8 on data from states where UI benefits last six months to predict spending in Florida, a state where UI benefits last four months and are much lower than other states. This figure plots those predictions compared to the data series from Figure 4. The legend includes the consumption goodness-of-fit (GOF) statistic for each model series. See Section 4.3 for details.

Table 1: Representativeness: JPMCI Data Compared to External Benchmarks

Category	JPMCI (1)	Benchmark (2)	Ratio (1) / (2) (3)	Benchmark Source (4)
Mean Spending ^a				
Nondurables	\$2,317	\$1,671	139%	CE Survey
Nondurables	\$2,317	\$3,490	66%	PCE
Durables	\$395	\$1,280	31%	CE Survey
Durables	\$395	\$1,643	24%	PCE
Mean Income (Pre-tax Direct Deposit + Paper Checks) ^b				
Labor Earnings	\$5,002	\$5,750	87%	SIPP
Total Income	\$6,334	\$6,290	101%	SIPP
Mean Age	41.1	44.3	93%	SIPP
Median Checking Account Balance	\$1,250	\$1,500	83%	SCF
Number of U.S. States	20	50	--	--

Notes: This table compares the representativeness of UI recipients in the JPMCI data that meet the sampling criteria described in Section 2.1 to external benchmarks from the Consumer Expenditure (CE) Survey for 2015, Bureau of Economic Analysis' Table 2.4.5U for 2015 (PCE), the Survey of Income and Program Participation for 2004 (SIPP), and the Survey of Consumer Finances for 2013 (SCF). All income and spending variables are monthly.

a. Definition of nondurable and durable spending from Lusardi (1996). See Section 2.2 for details.

b. Labor income is adjusted for the fact that some earnings are paid by paper check rather than direct deposit (see notes to online Appendix Table 5 for details).

Table 2: Spending Change at UI Exhaustion

		Pre	Pre	Post	Change	Change
		Onset	Exhaustion	Exhaustion	(col 3 - col 2)	(col 4 / col 2)
Spending		\$	\$	\$	\$	%
Type ^a	Category ^b	(1)	(2)	(3)	(4)	(5)
Durable	Home Improvement	48.7	46.5	37.2	-9.4	-20.2%
Other ND	Discount Stores	57.7	58.1	47.1	-11.0	-18.9%
Other ND	Department Stores	19.4	16.5	13.6	-2.9	-17.7%
Durable	Miscellaneous Durables	27.1	26.3	21.8	-4.5	-17.1%
Other ND	Other Retail	148.0	137.0	114.4	-22.6	-16.5%
Strict ND	Food Away From Home	193.4	164.3	138.2	-26.1	-15.9%
Strict ND	Groceries	302.3	293.7	247.4	-46.3	-15.8%
Other ND	Drug Stores	39.5	35.4	30.0	-5.4	-15.3%
Durable	Retail Durables	48.3	43.3	36.7	-6.6	-15.3%
Nondurable	Cash	703.7	584.1	495.9	-88.2	-15.1%
Other ND	Medical Copay	35.4	29.3	25.3	-4.0	-13.6%
Durable	Entertainment	29.4	27.0	23.4	-3.6	-13.4%
Durable	Auto Repair	40.4	36.3	31.6	-4.7	-12.9%
Other ND	Online	42.6	38.8	34.1	-4.7	-12.1%
Strict ND	Transportation	155.6	127.6	114.0	-13.6	-10.6%
Durable	Hotels & Rental Cars	27.0	21.4	19.2	-2.2	-10.3%
Strict ND	Professional & Personal Services	55.4	50.0	45.0	-5.0	-10.0%
Strict ND	Telecom	111.6	106.6	97.4	-9.2	-8.7%
Strict ND	Utilities	190.1	182.4	173.3	-9.2	-5.0%
Strict ND	Flights	32.5	24.5	23.5	-0.9	-3.9%
Nondurable	Miscellaneous Nondurables	308.6	276.6	268.5	-8.1	-2.9%
Durable	Insurance	151.6	159.0	154.6	-4.4	-2.8%
Other Bank Account Outflows						
	Transfer to External Account	356.1	271.6	237.3	-34.3	-12.6%
	Uncategorizable Electronic	635.2	485.4	441.9	-43.6	-9.0%
	Paper Checks	1,057.6	968.9	923.7	-45.2	-4.7%
	Non-Chase Credit Card Bill	436.8	365.2	351.1	-14.1	-3.9%
	Installment Debt	380.9	348.7	335.3	-13.3	-3.8%

Notes: n=27,740 households who exhausted UI benefits and meet the sampling criteria described in Section 2.1. This table decomposes the drop in spending during unemployment into 27 categories. Column 1 is three months prior to the first UI payment, column 2 is the month before UI exhaustion and column 3 is the month after UI exhaustion.

a. Spending categories of strict nondurable, other nondurable, and durable from Lusardi (1996). Cash withdrawals and miscellaneous nondurables are included in the headline nondurables series.

b. See online Appendix B for additional details.

Table 3: Model Estimates

	Standard Model (1)	Standard Model (2)	Heterogeneity in β (3)	Heterogeneity in δ (4)
Number of Types	2 types	2 types	4 types	4 types
Calibrated Consumption Parameters				
Risk Aversion γ^a	2	2	2	2
Naive Hyperbolic Discount Factor β	1.000	--	--	1
Estimated Consumption Parameters				
Monthly Exponential Discount Factor δ	0.9898 (0.0003)	0.9898 (0.0003)	0.9951 (0.0001)	{0.6003, 0.9894} (0.0158, 0.0003)
Naive Hyperbolic Discount Factor β	--	1.000 (0.007)	{0.522, 0.899} (0.025, 0.026)	--
Borrowing Limit \underline{a}	4.5 (0.2)	4.5 (0.2)	6.1 (0.6)	7.8 (0.3)
Impatient/Myopic Population Share	--	--	0.25 (0.01)	0.17 (0.01)
Estimated Search Parameters				
Cost of Job Search k	{9.0, 129.5} (1.8, 42.3)	{9.0, 129.5} (1.8, 42.3)	{4.7, 53.6} (1.0, 20.3)	{4.5, 55.0} (0.8, 12.9)
Convexity of Job Search Cost ξ	1.4 (0.1)	1.4 (0.1)	1.1 (0.1)	1.4 (0.1)
Low Job Search Cost Population Share	0.67 (0.04)	0.67 (0.04)	0.79 (0.03)	0.59 (0.05)
Model Fit				
N Moments	27	27	27	27
N Estimated Parameters	6	7	9	8
Consumption Goodness of Fit	350	350	99	148
Search Goodness of Fit	81	81	86	97
Total Goodness of Fit	431	431	186	246

Notes: This table presents parameter estimates of models of consumption and job search during unemployment. The model is described in Section 4.1 and is fit using equation (8) to the data on spending and job search during an unemployment spell from Figures 3 and 7, respectively. Columns 1 and 2 allow for unobserved heterogeneity in job search costs. Columns 3 and 4 allow for unobserved heterogeneity in time preference parameters by allowing for differences in β and δ respectively. In column 1, β is fixed at 1, while in columns 2 and 3, β is estimated and is constrained to be between 0 and 1. Similarly in column 4, δ is estimated and is constrained to be between 0 and 1. Goodness of fit total may not be sum of components due to rounding. Standard errors of estimated parameters in parentheses.

a. Calibrated from Carroll (1997)

Table 4: Welfare Impact of Changes in UI Generosity

<i>Welfare Change as an Equivalent Increase in Lifetime Income</i>				
	Δ Welfare - UI Benefit Increase (1)	Δ Welfare - UI Duration Extension (2)	Difference (col 2 - col 1) (3)	Ratio (col 2 / col 1) (4)
Consumption-Smoothing Gains Only				
JPMCI Nondurables	0.021%	0.082%	0.061%	3.94
Gruber (1997) Food	0.019%	--	--	--
Consumption-Smoothing Gains and Fiscal Externality Loss				
JPMCI Nondurables	-0.023%	0.016%	0.039%	--
Gruber (1997) Food	-0.025%	--	--	--

Notes: We evaluate the welfare impact of budget-neutral tax-financed changes in the generosity of UI benefits as a percentage of lifetime income for CRRA utility with risk aversion of 2. We use a sufficient statistic formula which generalizes the Baily-Chetty formula to allow for finite duration of UI benefits. See Section 5 for details.

Rows 1 and 2 show the welfare gains in the absence of a fiscal externality from UI benefits. We compare a UI benefit increase of 1.77 percent of monthly employed income with a one-month extension of UI benefits.

These changes have the same fiscal cost and require a tax increase of 0.14 percent of monthly employed income to fund.

Rows 3 and 4 show the welfare gains with taxes adjusted for the fiscal externality arising from moral hazard in response to changes in UI benefits. Fiscal externalities are the median estimates in the literature review in Schmieder and Von Wachter (2017). We compare a UI benefit increase of 2.03 percent with a one-month extension of UI benefits. These change have the same fiscal cost and require a tax increase of 0.21 percent to fund.

APPENDIX K

NBER WORKING PAPER SERIES

THE IMPORTANCE OF UNEMPLOYMENT INSURANCE AS AN AUTOMATIC
STABILIZER

Marco Di Maggio
Amir Kermani

Working Paper 22625
<http://www.nber.org/papers/w22625>

NATIONAL BUREAU OF ECONOMIC RESEARCH
1050 Massachusetts Avenue
Cambridge, MA 02138
September 2016

We thank Daron Acemoglu, Raj Chetty, Gabriel Chodorow-Reich, Steven Davis, Mark Duggan, Yuriy Gorodnichenko, Erik Hurst, Enrico Moretti, Andreas Muller, Arash Nekoei, Luigi Pistaferri, David Sraer, Ricardo Reis, David Romer, Jesse Rothstein, Danny Yagan and seminar participants at the NBER SI Monetary Economics workshop, the NBER Fall Public Economics meeting, the 11th CSEF-IGIER Symposium on Economics and Institutions, Columbia University and UC Berkeley for numerous comments and discussions. We also thank Walker Ray, Calvin Zhang and especially Dmitri Koustas for outstanding research assistance. All remaining errors are ours. The views expressed herein are those of the authors and do not necessarily reflect the views of the National Bureau of Economic Research.

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The Importance of Unemployment Insurance as an Automatic Stabilizer
Marco Di Maggio and Amir Kermani
NBER Working Paper No. 22625
September 2016
JEL No. E24,E62,H53,J65

ABSTRACT

We assess the extent to which unemployment insurance (UI) serves as an automatic stabilizer to mitigate the economy's sensitivity to shocks. Using a local labor market design based on heterogeneity in local benefit generosity, we estimate that a one standard deviation increase in generosity attenuates the effect of adverse shocks on employment growth by 7% and on earnings growth by 6%. Consistent with a local demand channel, we find that consumption is less responsive to local labor demand shocks in counties with more generous benefits. Our analysis finds that the local fiscal multiplier of unemployment insurance expenditure is approximately 1.9.

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1 Introduction

Fiscal response to any recession is significantly handicapped by the political difficulties that impede timely expansionary fiscal policy. The slow recovery from the "Great Recession" has prompted a lively debate on whether the unconventional monetary policy measures succeeded in boosting aggregate demand. In principle, automatic stabilizers bypass these difficulties and can be a key factor in easing the consequences of negative economic shocks.¹ However, despite the relevance of this issue, the economic literature provides very little guidance on whether automatic stabilizers are able to buffer shocks.²

This paper evaluates the extent to which unemployment insurance (UI) attenuates the decline in real economic activity in response to local labor demand shocks. There are several channels through which UI might moderate cyclical fluctuations. For instance, more generous UI may stabilize *aggregate demand* by attenuating fluctuations in disposable income (Brown (1955)) or *redistributing funds* to individuals with a higher propensity to consume (Blinder (1975)).³ On the other hand, by increasing firms' hiring costs, more generous unemployment benefits may also accentuate economic fluctuations by discouraging job creation (Hagedorn et al. (2013)). In other words, the role of UI as an automatic stabilizer and the relevance of each channel through which it may impact on the economy are empirical questions. This paper shows that UI appears to have a beneficial effect on the economy by decreasing *sensitivity* to shocks and reducing the variability in aggregate income, employment and consumption.

Ideally, we want to isolate the impact of UI on the response of local economic activity to shocks by comparing outcomes in regions that have similar characteristics and are hit by similar labor demand shocks orthogonal to the local labor supply, but that differ in the

¹They were quantitatively important; the Congressional Budget Office estimates that automatic stabilizers accounted for a significant fraction of the increase in government expenditure during the Great Recession: "In fiscal year 2012, CBO estimates, automatic stabilizers added \$386 billion to the federal budget deficit, an amount equal to 2.3 percent of potential GDP. That outcome marked the fourth consecutive year that automatic stabilizers added to the deficit by an amount equal to or exceeding 2.0 percent of potential GDP, an impact that had previously been equaled or exceeded only twice in the past 50 years, in fiscal years 1982 and 1983." (Available here: <http://www.cbo.gov/publication/43977>)

²For a recent work on the role of automatic stabilizers see McKay and Reis (2013).

³See Krueger et al. (2015) as a recent example of theoretical work studying this channel.

generosity of their unemployment insurance programs. We approximate this ideal setting by following [Bartik \(1991\)](#) and [Blanchard and Katz \(1992\)](#) in constructing a measure of the predicted change in demand-driven labor shocks in a county, given by the interaction between its initial industrial composition and nationwide changes in employment in narrowly defined manufacturing industries. For instance, this Bartik shock measure should capture the differential effects of a national manufacturing shock on counties differing in local manufacturing composition. The key identifying assumption is that this measure is not related to county-specific labor supply shocks that may also affect labor market outcomes. By controlling for county fixed effects, we focus on short-term fluctuations in the labor demand, and general trends in labor supply – for example due to changes in demographics or immigration- cannot contaminate our experiment. Our estimated coefficient is the interaction between this Bartik shock and UI generosity.

Since we want to show that local economies are less responsive to local labor demand shocks where UI is more generous, our main measure of generosity is the average income replacement rate at the state level for the period 1996-2000. This static measure of unemployment benefits, which does not include UI extensions, is less susceptible to endogeneity problems, in that extensions are likely to be driven by local labor conditions. This approach also allows us to disentangle the direct effect of benefit extensions from their effects on the economy’s sensitivity to shocks.⁴ To account for the fraction of the worker’s income that is replaced when he becomes unemployed, using micro data from the Current Population Survey (CPS) we compute the replacement rate conditional on being unemployed.⁵ We control for several observable regional characteristics, in addition to including year and county fixed effects. Moreover, in a series of robustness checks we provide further evidence that our results are not driven by other heterogeneity between regions.

We start our analysis by estimating the importance of the effect of UI on aggregate

⁴Moreover, our results are robust to using a contemporaneous measure of UI generosity.

⁵States differ significantly in the generosity of benefits, which range from \$275 a week in Florida to \$646 a week in Massachusetts.

demand over the 1999-2013 period. This can be gauged by observing how employment growth responds to shocks in counties with different replacement levels. In more generous counties employment growth is significantly less responsive to local labor demand shocks. A one standard deviation increase in generosity reduces the elasticity of employment growth with respect to local shocks by about 7%. One potential concern with these estimates is that they could be driven by heterogeneity across counties, and specifically by differences in industrial characteristics. For instance, counties may be more or less cyclical as a function of their leading industries, and this might well be correlated with the generosity of unemployment benefits. To control for this, we compute the fraction of employed people in each sector and control for the interaction between the Bartik shock and the fraction of employees in the different sectors in all of our specifications. This allows counties whose main industry is manufacturing, for example, to react to the Bartik shock in a different way than those where services dominate. We also control for a series of economic and demographic characteristics of the counties and their interaction with the Bartik shocks.

To examine the channels through which unemployment insurance could buffer negative economic shocks, we decompose the effect of generosity on employment growth between the tradable and the non-tradable sectors as defined by [Mian and Sufi \(2014\)](#). We find that employment in the non-tradable sector, which is mostly driven by local consumption demand, reacts less to labor demand shocks in counties with more generous benefits, but employment in the tradable sector does not. Second, we analyze the sensitivity of consumption to shocks. We employ two main measures. First, we show that durable goods consumption, proxied by car sales, is less responsive to local labor demand shocks where UI is more generous. We find that a one standard deviation increase in generosity reduces the local shock elasticity of car sales growth by 12-15%. The main advantage of this measure is that car sales are registered in the place of residence, which avoids misleading factors such as workers consuming in counties other than where they live.⁶ Second, we use data on total aggregate consumption at state

⁶Admittedly this result is almost certainly an overestimate, in that new car purchase is one of the components of household consumption most sensitive to disposable income and our measure of car sales only

level, which includes both durables and non-durables, and get very similar results with a one-standard-deviation increase in benefits attenuates consumption elasticity by 7%. This confirms the hypothesis that unemployment insurance has a significant impact on aggregate consumption by moderating fluctuations in the disposable income of the individuals with the highest marginal propensity to consume. Collectively, these results strongly suggest that it is through the demand channel that UI attenuates the economy's sensitivity to shocks.⁷

We complement the foregoing results by estimating the response of earnings growth to shocks in counties of differing generosity. We find that more generous counties react less strongly to adverse shocks, as captured by a negative interaction between the Bartik shock and UI generosity. The result is both statistically and economically significant. In fact, a one standard deviation increase (equivalent to 4-7%) in UI generosity decreases the effect of shocks by about 9%.⁸

To provide evidence that our results do not hinge on the county-level variation, we confirm our main results using data at state level and at commuting zone level. The advantage of the state level data is that it mirrors the main source of differences in UI generosity, which depends on state law, and allows us to confirm the results for total consumption growth rather than car sales. The commuting zones encompass all metropolitan and nonmetropolitan areas in the United States, and as [Tolbert and Sizer \(1996\)](#) and [Autor and Dorn \(2013\)](#) suggest, these are the appropriate geographic units to delineate local labor markets. Moreover, commuting zones can be used to estimate a local fiscal multiplier because spillovers among CZs are less pronounced than among counties. We find that the fiscal multiplier is about 1.9. This relates our paper to the series of recent papers using cross-state variation to estimate fiscal multipliers, which provide very similar estimates even though they use a

captures the extensive but not the intensive margin.

⁷A similar channel is proposed by [Kekre \(2015\)](#), who show that a marginal increase in UI generosity affects output and employment through a redistribution effect on aggregate demand, and supportive evidence is provided by [Coglianese \(2015\)](#).

⁸We supplement this evidence by analyzing the response of average wages to shocks, finding that they are significantly less sensitive to economic fluctuations in the counties where jobless benefits are most generous than where they are least generous.

different source of variation in government spending.

We also run additional robustness checks. First, we show that our results are not sensitive to the specific definition of UI generosity used, insofar as they hold when generosity is measured as the replacement rate times take-up rate as computed from CPS, or when we employ the replacement rates provided by the BLS or simply the log of the maximum weekly benefit as a proxy for the benefit generosity.

Second, to control for time-varying heterogeneity, such as other state policies that might affect the local economic conditions and at the same time be correlated with UI generosity, we control for the generosity of other government transfers, the presence of right-to-work laws and the minimum wage in the state and their interaction with the Bartik shock. All our results remain unaffected. A related concern centers on differences in experience-rating taxes across states. In earlier work, [Card and Levine \(1994\)](#) found that states and industries facing higher marginal unemployment experience taxes have lower employment volatility. Unfortunately, we were unable to update their measure to our time period, since their data for determining the marginal tax costs in 1979-1987 are not publicly available. We employ a simple alternative approximation of the tax schedule: the maximum minus the minimum UI tax rate in a state. We calculate an industry-weighted average of Card and Levine's measure of mean marginal tax costs in 1979-1987 (data available in the appendix of the working-paper version) and compare their measure with the maximum minus minimum rates in a midpoint year, 1983. First, we confirm that there is a strong correlation between our measure and the measure of the firm's marginal tax cost proposed by [Card and Levine \(2000\)](#), which gives us confidence that our measure can be a very good proxy for the firms' tax incentives to locate in a state based on the cost of firing. Using this marginal tax rate as a proxy and additional control, again the result is largely unaffected.

To provide further evidence that our results are driven by the demand channel, we provide evidence of intersectoral spillovers by computing the Bartik shocks excluding non-tradable and construction sectors and examining the spillovers of shocks that originate in these sector

to the employment in the non-tradable sector. We show that the spillovers of shocks that originate in the tradable sector to the non-tradable one are lower in regions with more generous benefits. This procedure should capture the effects deriving from workers being fired, for instance, in the car manufacturing sector due to a general decline of the auto industry, who will then decrease their consumption of non-tradable goods, which depresses employment in non-tradables and total earnings growth.

We also set out two additional results that exploit heterogeneity across shocks and regions. We hypothesize that UI generosity should be more important for negative shocks, because UI payments themselves are more responsive to negative shocks than to positive ones and because consumption is more sensitive to negative shocks than to positive ones when households are financially constrained (e.g. [Aiyagari \(1994\)](#)). We provide evidence for this hypothesis by dividing the Bartik shocks into shocks below the median and above the median and showing that our main coefficient is negative and statistically significant only for the bottom half, whereas the interaction between UI and the Bartik shocks becomes smaller and insignificant for shocks above the median. Similarly, if our results are indeed driven by stronger demand from jobless workers we expect our effects to be larger when the unemployment rate is higher, i.e. when the unemployment rate is higher the total output can be more sensitive to demand shocks. We provide evidence consistent with this hypothesis by interacting the Bartik shock and the measure of UI generosity with the unemployment rate in the previous year. This result also supports the hypothesis that the fiscal multiplier might vary over the business cycle ([Auerbach and Gorodnichenko \(2012\)](#)).

Since a number of federal and state policy measures were taken during the Great Recession in response to local labor market conditions, such as the American Recovery and Reinvestment Act and the JOBS Act, we need to make sure that they are not responsible for our results. To do so, we exclude all the observations after 2008, finding that the magnitude and the statistical significance of our results are quite unaffected.

All in all, our findings can help to inform the debate on the importance of automatic

stabilizers. While generous unemployment insurance programs may adversely affect the *level* of unemployment, we show that through the demand channel they significantly attenuate the volatility of economic outcomes by reducing the demand sensitivity to local demand shocks.

1.1 Related Literature

We contribute to the growing literature on the economic role of automatic stabilizers, in particular unemployment benefits. [Blanchard et al. \(2010\)](#), for instance, argue that better automatic stabilizers are crucial for more effective macroeconomic policy. Other papers, such as [Auerbach and Feenberg \(2000\)](#), [Auerbach \(2009\)](#), [Feldstein \(2009\)](#) and [Blinder \(2004\)](#), emphasize their importance in shaping the economy's response to shocks.

[McKay and Reis \(2013\)](#) propose a business-cycle model to study automatic stabilizers in general equilibrium. They capture the channels through which stabilizers mitigate the business cycle and quantify their importance. Specifically, [McKay and Reis \(2013\)](#) show that redistributive policies, such as UI, can have a significant effect in dampening aggregate shocks when monetary policy does not fully respond to fluctuations in aggregate activity.⁹ This resembles our setting where monetary policy is set at the national level and is not contingent on the local economic shock.¹⁰ We provide empirical support for the UI role as a stabilizer by observing that consumption responds less to adverse shocks in counties with more generous UI, because the unemployed have more disposable income.¹¹

Some recent work has focused on the effects of UI extensions during the Great Recession, with mixed results. On the one hand, [Hagedorn et al. \(2013\)](#) argue that the general equilibrium effect operating through the response of job creation to benefit extensions is

⁹See [Beraja et al. \(2015\)](#) for a model in which regional economies differ from their aggregate counterparts as the types of shocks driving the local and aggregate business cycles differ.

¹⁰Another related paper is [Dolls et al. \(2012\)](#) which analyzes the effectiveness of the tax and transfer systems in the EU and the US to provide income insurance through automatic stabilization in the recent economic crisis.

¹¹A related work, inquiring into how UI affects firms' policies, is [Agrawal and Matsa \(2013\)](#). This paper exploits changes in state unemployment insurance laws as a source of variation in the costs borne by workers during layoff spells, finding that firms choose conservative financial policies partly to mitigate workers' exposure to unemployment risk.

quantitatively important. They employ a regression discontinuity design focusing on U.S. state borders to show that benefit extensions raise equilibrium wages and lead to a sharp contraction in vacancy creation and a rise in unemployment.¹² On the other hand, [Rothstein \(2011\)](#) estimates that UI extensions had significant but small negative effects on the probability of benefit recipients' exiting unemployment and [Chodorow-Reich and Karabarbounis \(2016\)](#) find that benefit extensions have a limited role in influencing macroeconomic outcomes.¹³ The present contribution differs in several respects. First, [Hagedorn et al. \(2013\)](#), [Rothstein \(2011\)](#), and [Chodorow-Reich and Karabarbounis \(2016\)](#) analyze the *direct impact* of UI extensions, whereas our paper seeks to determine, for a given level of UI, how much the *sensitivity* of local economic activity to labor demand shocks (as captured by the Bartik measure) depends on benefit generosity. Second, our results complement these findings by showing that while UI extensions may affect the level of employment, generosity also significantly buffers the volatility of real economy activity. In other words, UI might have a beneficial effect on the economy by decreasing sensitivity to shocks and reducing the variability of aggregate consumption, employment and earnings. Third, previous works define variation in generosity as the number of weeks of eligibility, whereas the main source of variation in our data stems from the workers' income replacement rate and the UI coverage. The effects – on moral hazard, say – between modifying the duration and altering the size of benefits may differ quite substantially. Furthermore, our results parallel recent works by [Kekre \(2015\)](#) and [Coglianese \(2015\)](#). The former shows that a marginal increase in UI generosity affects output and employment through a redistribution effect on aggregate demand, which corroborates the mechanism we propose, while the latter investigates the UI extensions during the Great Recession and, consistent with our empirical results, finds evidence of unemployment insurance boosting aggregate demand.¹⁴

¹²Similarly, [Hagedorn et al. \(2015\)](#), analyzing the Congressional decision in December 2013 to end the federal benefit extensions, they provide evidence that 1.8 million additional jobs were created in 2014 due to the benefit cut.

¹³Relatedly, [Christiano et al. \(2013\)](#) show that during the zero lower bound, an expansion of UI would not result in an increase in unemployment rates.

¹⁴This paper is also related to the literature studying the general equilibrium effects of UI extensions, e.g.

Methodologically, our paper also relates to [Blanchard and Katz \(1992\)](#), [Bound and Holzer \(2000\)](#), [Autor and Duggan \(2003\)](#), [Notowidigdo \(2011\)](#) and [Charles et al. \(2013\)](#) which employ the [Bartik \(1991\)](#) procedure to capture the effects of local labor demand shocks. We complement this evidence by showing that the benefits have aggregate effects as an automatic stabilizer, reducing the sensitivity of the local economy to local labor shocks. We also contribute to the emerging cross-sectional literature on fiscal multipliers (e.g. [Serrato and Wingender \(2010a\)](#), [Shoag et al. \(2015\)](#) and [Nakamura and Steinsson \(2014\)](#)) which differs from the traditional empirical macroeconomics literature relying on time-series variation (e.g. [Ramey and Shapiro \(1998\)](#), [Blanchard and Perotti \(2002\)](#) and [Ramey \(2011b\)](#)). We exploit the variation in unemployment benefit generosity, not government spending, to investigate the sensitivity of local activity to shocks. Our estimate for the fiscal multiplier, at about 2, is close to those made in the previous literature.

Finally, several papers consider the effects of generosity on individuals. [Gruber \(1997\)](#), [Browning and Crossley \(2001\)](#) and [Bloemen and Stancanelli \(2005\)](#), among others, find that increases in benefits mitigate the drop in consumption during downturns, enabling the jobless to smooth their consumer spending.¹⁵ Another strand of the literature has shown that unemployment insurance can reduce the incentives of the unemployed to find a new job, e.g. [Solon \(1985\)](#), [Moffitt \(1985\)](#), [Meyer \(1990\)](#), [Katz and Meyer \(1990\)](#) and [Card and Levine \(2000\)](#).¹⁶ The reason being that benefits undercut the incentive to find work by distorting the relative price of leisure and consumption, i.e. a substitution effect. [Chetty \(2008\)](#) shows that in an environment with liquidity constraints this reduction in search is not necessarily inefficient and provides evidence of a liquidity effect in addition to the conventional substitution effect, as workers have more cash on hand while unemployed.¹⁷

[Levine \(1993\)](#), [Lalive et al. \(2015\)](#), [Marinescu \(2014\)](#), [Valletta \(2014\)](#), and [Johnston and Mas \(2015\)](#).

¹⁵Another related work by [Romer and Romer \(2014\)](#) finds a large, immediate, and statistically significant response of consumption to permanent increases in Social Security benefits.

¹⁶For comprehensive reviews of this literature see [Atkinson and Micklewright \(1991\)](#) and [Krueger and Meyer \(2002\)](#).

¹⁷Relatedly, [Kroft and Notowidigdo \(2011\)](#) analyze how the level of benefits trades off the consumption smoothing effect with the moral hazard cost over the business cycle, showing that the latter is procyclical while the benefit is non-cyclical.

However, the introduction of insurance for unemployed individuals who elect to go into business for themselves could spur entrepreneurial activity significantly by strengthening their incentive to start a new firm (Hombert et al. (2014)). Such studies as Van Ours and Vodopivec (2008), Card et al. (2007), Lalive (2007), and Nekoei and Weber (2014) have analyzed the impact of UI generosity on the quality of job matches. We complement these findings by showing that the general-equilibrium considerations of unemployment benefits are important and should be considered in designing an optimal unemployment insurance system.¹⁸ Finally, we examine the local general equilibrium effect of benefit generosity, not the effect on the behavior of unemployed individuals.

The remainder of the paper is organized as follows. Section 2 describes the empirical strategy, and Section 3 provides details on the data sources and summary statistics. Section 4 presents and interprets the main results on the effect of UI on the economy's sensitivity to shocks. Section 5 presents further evidence testing the robustness of our results. Section 6 employs our results to estimate a local fiscal multiplier of unemployment insurance benefits, and Section 7 concludes.

2 Empirical Methodology

To investigate how heterogeneity in generosity might affect local responses to labor demand shocks, we need to find a valid instrument for changes in local labor demand. We follow Bartik (1991) and Blanchard and Katz (1992) constructing an index by interacting cross-sectional differences in industrial composition with national changes in industry employment

¹⁸Other works on the role of UI during the Great Recession include Mueller et al. (2013), which employs the arbitrary pattern of unemployment benefit extensions to identify the effect of their exhaustion on applications for disability insurance; and Hsu et al. (2014) which exploits the heterogeneity in generosity across U.S. states and over time to show that unemployment benefits prevented 1.4 million mortgage foreclosures. We complement these studies by showing that jobless benefits also support aggregate demand, permitting not only mortgage payments, but also more spending on consumer goods and services.

shares – the “Bartik shock” strategy. The Bartik shock is defined as follows:

$$Bartik_{i,t} = \sum_{k=1}^K \varphi_{i,k,\tau} \left(\frac{\nu_{-i,k,t} - \nu_{-i,k,t-1}}{\nu_{-i,k,t-1}} \right)$$

Where $\varphi_{i,k,\tau}$ is the employment share of industry k in area i in the base year $\tau = 1998$, and $\nu_{-i,k,t}$ is the national employment share of industry k excluding area i in year t .¹⁹

Our baseline specification is:

$$\Delta Y_{i,t} = \beta_1 (Bartik_{i,t} \times UI_{i,\tau}) + \beta_2 Bartik_{i,t} + \beta_3 Bartik_{i,t} \times X_i + \eta_i + \gamma_t + \varepsilon_{i,t}, \quad (1)$$

where $\Delta Y_{i,t}$ represents the growth rate of the main dependent variables. We estimate this specification using as weights the population in 2000.²⁰ Following [Monte et al. \(2015\)](#), since individuals might live and consume in a region but work in another one, we adjust for worker flows and make all variables based on the place of residence.²¹ The coefficient of interest is β_1 , which captures how the sensitivity of ΔY is affected by the generosity of unemployment benefits (UI), i.e. it shows whether regions with more generous unemployment benefits are more or less responsive to Bartik shocks. The coefficient β_2 captures the main effect of the Bartik shock, therefore $\frac{\beta_1}{\beta_2}$ captures how the sensitivity to shocks changes with the generosity of unemployment benefits. We also control for a number of county-level characteristics (X_i), such as the share of employees in each industrial sector and their interactions with the Bartik shock. We also include county and year fixed effects; that is, we allow for any general trend (such as changes in demographics) at the county level.²² Since the main source of variation

¹⁹Each four-digit ISIC code is one industry. We also repeated our analysis with three-digit ISIC codes and the results are quantitatively and qualitatively the same. Please see the technical appendix for a detailed description of how we construct the main variables.

²⁰Throughout the paper (except table A.8) all regressions are weighted by the population of the unit of observation (i.e. county, state or CZ) in 2000. Table A.8 in the appendix shows that the results are qualitative the same when we do not weight observations by population.

²¹We also provide evidence that our results hold when we run our specifications at the state and commuting zone level, which do not require an adjustment for the place of residence.

²²As a robustness check, reported in the appendix Table A3, we also run a specification in which we include

is at the state level, we cluster the standard errors at the state level.²³

As noted by [Chodorow-Reich and Wieland \(2016\)](#) in the context of labor reallocation, one of the main advantages of this Bartik research design is that, instead of focusing on the specific shocks determining the changes in employment, such as trade policy, technology or consumer tastes, we can employ the evolution of employment shares nationally to summarize the effects of the combination of these shocks for employment trends. The key identifying assumption to make this a measure of plausibly exogenous labor demand shocks is that this proxy must not be correlated with unobserved shocks to local labor supply. Specifically, we are assuming that changes in industry shares at the national level are uncorrelated with city-level labor supply shocks and can therefore be used as a demand-induced variation in local employment.²⁴ However, since we run our specifications at the annual frequency and we control for county fixed effects – which should capture long-term changes in labor supply due to for instance to changes in demographics- this is less of a concern. We also need to assume that in the absence of variation in the UI generosity, the predictive power of the Bartik shock is similar across different regions or not correlated with the generosity of the unemployment benefits.

We start our analysis with a graphical illustration of the main results. Figure 1 plots the effect of UI generosity in attenuating the impact of Bartik shocks, after we took out the average for each county, on each of our main dependent variables (i.e. consumption, employment in the non-tradable sector and employment in the tradable sector) using a spline regression with a knot at the 33rd percentile of the shock. The blue line shows the effect

lags of the main variables:

$$\begin{aligned} \Delta Y_{i,t} = & \beta_1(Bartik_{i,t} \times UI_{i,\tau}) + \beta_2(Bartik_{i,t-1} \times UI_{i,\tau}) + \beta_3 Bartik_{i,t} \\ & + \beta_4 Bartik_{i,t-1} + \beta_5 \Delta Y_{i,t-1} + \eta_i + \gamma_t + \varepsilon_{i,t}. \end{aligned}$$

This is useful to show that our results are not driven by the persistency of the Bartik shocks or of the dependent variables.

²³As Table A.9 in the Appendix shows, clustering at the county level would result in significantly lower standard errors.

²⁴Other papers employing a similar strategy include [Bound and Holzer \(2000\)](#), [Autor and Duggan \(2003\)](#), [Luttmer \(2005\)](#), [Notowidigdo \(2011\)](#), [David et al. \(2013\)](#), and [Chodorow-Reich and Wieland \(2016\)](#).

for the counties with the least generous UI, those in the bottom quartile, while the red line depicts the effects for the most generous counties, those in the top quartile. The areas show the 95% confidence intervals and on the x-axis is the Bartik shock net of the county average over the 1999-2013 period. For instance, for consumption growth the counties above the 75th percentile in generosity exhibit very modest elasticity to Bartik shocks, even the most severe, while counties below the 25th percentile are significantly affected. Similarly, the sensitivity of employment growth in the non-tradable sector to labor shocks is significantly smaller in counties with more generous UI, while there is no significant difference between counties for employment in the tradable sector. The asymmetry of our effects is also encouraging: since most of the dampening effect comes from attenuating negative shocks, this is consistent with variations in UI generosity being the main driver of this result, since UI payments are more sensitive to large negative shocks than to positive shocks. This is only suggestive evidence, of course, and these results could be driven by other omitted factors, which is why the next few sections are devoted to demonstrating that they hold even after controlling for several potential confounding factors.

3 Data and Summary Statistics

In 1935 the United States created a joint federal-state system of insurance for workers losing their jobs. Each state sets its own UI tax schedules for employers, who also pay a federal tax under the Federal Unemployment Tax Act (FUTA), to finance federal extensions and emergency loans to states' trust funds, among other objectives. The law requires state taxes to be "experience-rated," so that the effective marginal rate rises with the number of claims deriving from a firm.

One key feature of this system is that the state can affect the generosity of its program, i.e. the level of benefits and the length of the benefit period. The size of the weekly benefit payment naturally depends on previous wages, but each state also sets a cap on the

amount and limits the duration. During times of high unemployment, states may also enact extensions to the regular benefit period.

We employ four different measures of the “UI generosity”. First, we consider a state-level measure: the empirical income replacement ratio estimated from the Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS). We work with CPS data downloaded from IPUMS. Households are asked about their sources of income in the previous year, and their employment history. To estimate average weekly UI benefits for those receiving them, we divide the total unemployment benefits reported by a household by the number of weeks of joblessness. We calculate average weekly earnings by dividing income from wages and salaries by weeks worked in the year. We thus calculate an empirical “income replacement ratio” as the ratio of average weekly benefits to average weekly wages. To keep the sample size for each state reasonable, we examine a five-year average over 1996-2000, which gives us the replacement ratio for those who actually receive benefits. Figure 1.A in the Appendix depicts the substantial heterogeneity in generosity, darker regions being more generous. The main advantage of this measure is that it measure exactly what should drive the households’ decisions: the fraction of income recovered by the unemployment insurance.

However, an important consideration missing from the previous measure is benefit “take-up.” As noted in [Blank and Card \(1991\)](#), the take-up rate of UI benefits among the unemployed is far less than the eligible population for a variety of reasons, including differences in coverage eligibility, unionization rates, benefit generosity, and rules enforcement. We measure the “take-up rate” as the share of the unemployed in a state who actually receive unemployment benefits. We multiply this rate by the replacement ratio to produce a second measure of generosity, namely the average replacement ratio conditional on unemployment as opposed to conditional on receiving the unemployment benefits. This is helpful in capturing heterogeneity across states in the take-up rates, but the take-up rate itself might be affected by changes in UI policy, as they would affect the workers’ incentives to apply for it.

Our third measure exploits differences in generosity between states and wage distribution

within states. The Department of Labor publishes information on each state’s benefit schedule. We measure the generosity of each state’s benefits in 2000 as the ratio of the maximum weekly benefit to the average weekly wage in each county in 2000.²⁵ We use this normalization to capture the fraction of income replaced and to take account of the fact that the same dollar amount could have significantly different effects in the same state but in counties with different living costs. This measure captures well the differences in purchasing power across states. Finally, we also show that our results are robust to employing the replacement rates provided by the BLS which are computed as the weekly benefit amount divided by the average wage of UI recipients. Note that since extensions are endogenous to local labor market conditions, we measure generosity only as of 2000.²⁶ We investigate the impact of the programs from 1999 to 2013.²⁷

We have used numerous sources of data for our dependent variables and controls. Here we mention the most significant. The Bureau of Economic Analysis provides time-series data on aggregate earnings (not including dividends, interest income and rents), average wages, and industrial composition; employment growth by industry for each county, the basis for computing the Bartik shocks, is computed using yearly data from County Business Patterns (CBP), which is also exploited to calculate employment growth in “non-tradable” industries, i.e. retail trade and hospitality, and “tradables,” namely manufacturing. To calculate the aggregate effects of UI generosity on county-level consumption, we use a dataset for all new car sales in the United States provided by R. L. Polk & Company (Polk).

We employ a variety of controls in our specifications interacted with the Bartik shock.

²⁵In the appendix, we show that our results also go through when we use the log of maximum benefits as measure of UI generosity.

²⁶During the Great Recession two major federal programs were in effect: Extended Benefits and Emergency Unemployment Compensation. The Extended Benefits (EB) program, which was adopted in 1970 and typically funded in equal parts by state and federal governments, provides an additional 13 weeks of benefits when the state’s insured unemployment rate rises above 5% and is at least 20% higher than its average over the previous two years. The Emergency Unemployment Compensation (EUC) program, enacted in June 2008, was instead entirely federally funded and offered up to 53 weeks of additional benefits.

²⁷We use 1999 as the first year since the employment data in CBP before 1998 is reported based on the SIC classification and we do not want our result to be confounded by the change in the classification of the industries. Due to data limitations, we only consider the 2001-2011 period for the analysis of car sales at the county and state level.

We control for the share of employment in construction, manufacturing, services and public sector, as well as the share of self-employment (hence ineligible for UI benefits) using data from BEA (Economic Profile Table CA30 and Table CA25). To control for political differences across counties, which might contribute to greater generosity in other benefits or government programs, we control for the county's Democratic vote share in 2000 using election data from CQ Press available from the Census. Finally, we control for median income and the share of the county population with high school and college education, using data from the 2000 Census available on its website.

Table 1 shows the county-level summary statistics for our sample. The first row reports the maximum weekly benefit, which ranges from \$190 to over \$400 a week.²⁸ The next row shows that the number of weeks does not vary; for every state except Massachusetts, the maximum benefit period is 26 weeks. We then report our main measures of UI generosity, namely the income replacement rate conditional on being unemployed and our two alternative measures, the ratio of the maximum weekly benefit to the weekly wage and the replacement rate times the take-up rate.²⁹ The table shows that for all three measures there is significant heterogeneity across states, which confirms Figure 1. Among the static variables we also report some county-level controls, such as the sectorial shares of employees in manufacturing, construction, services and government. Panel B reports the statistics for our time-varying variables. There is a significant variation in the magnitude of the Bartik shock, as its standard deviation is about 2%. The impact of unemployment insurance is inherently asymmetrical, as it has an effect only when the Bartik shocks are negative.

Figure 1.B in the appendix shows that UI generosity is extremely persistent over time. In this figure, we plot the correlation between the average income replacement ratio in 1990-1995

²⁸Tables A.1 and A.2 in the appendix provide the summary statistics for the state and the county level variables.

²⁹We only consider UI transfers because, as is shown by [Chodorow-Reich and Karabarbounis \(2013\)](#), these account for 88% of all the transfers related to employment status (supplemental nutritional assistance (SNAP), welfare assistance (AFDC/TANF), and health care account for practically all the rest). Moreover, these non-UI transfers are mainly federal so their generosity does not vary by state.

and 2000-2005 weighted by population.³⁰ In addition, Table 2 gives the correlations between the different measures of generosity and a number of county characteristics, such as other government transfers, the proportions of employees in the different sectors, of self-employed, of high-school graduates and the Democratic vote share. We find that the main predictors of generosity are the Democratic vote percentage, wages and the proportion of individuals in industry. To control for these differences across counties, in all of our specifications, we control for all of the characteristics in Table 2 and their interaction with the Bartik shock.

For robustness, we run our analysis at a variety of levels of geographic aggregation. Our main analysis is at county level, and we adjust for worker flows across neighboring counties by taking weighted averages of key variables based on worker migration patterns used in [Monte et al. \(2015\)](#) so that all of our variables of interest are based on the place of residence. In addition, we use measures of aggregate earnings and average wages from the BEA, adjusted to be on a county-of-residence basis. We also run our analysis at two additional levels of aggregation: commuting zone (CZ) and state. CZs – there are 709 in the U.S. – are groups of counties that share a common labor market as reflected in commuting patterns.³¹ This level of analysis controls better for worker employment and consumption patterns across counties. The state-level analysis provides two additional benefits. First, it corresponds to the main source of differences in the generosity of unemployment insurance benefits, so running regressions at the state level provides an additional robustness test, albeit at the cost of a good part of the variation in the Bartik shock relative to the county-level specifications. Second, BEA’s Regional Accounts offer a more comprehensive measure of consumption at the state level, which we can use to capture the demand channel.³²

³⁰The other two measures of UI generosity are also highly persistent; similar graphs can be found in the supplementary appendix (Figures A.1-A.4).

³¹Note that each time we use a different geographical area, we calculate a new bartik shock in which we take out that state or CZ.

³²Summary statistics for CZ and state level data are presented in the appendix.

4 Main Results

First we investigate the effect of unemployment benefit generosity on employment and consumption, to get an estimate of how generosity acts on the sensitivity of the economy to local labor shocks. We then turn to the effects on earnings growth. In this way we analyze the channels through which UI can affect the economy. To facilitate interpretation of the results, in the tables we demean all the interaction coefficients and UI generosity is normalized to have a standard deviation equal to 1. Hence, we can assess the effect of one-standard deviation increase in UI generosity on the sensitivity of the local economy to local shocks as the ratio between the interaction coefficient and the main effect: β_1/β_2 in (1).

4.1 Employment Growth

We start our analysis of how unemployment insurance could help stabilize the local economy by affecting the change in employment. For instance, more generous UI makes households' disposable income and therefore their demand less sensitive to their employment status. This also means that there will be weaker spillovers of a shock from one sector to another. We investigate this hypothesis by estimating the sensitivity of employment growth to shocks in Table 3.

In those counties with more generous benefits employment growth is significantly less responsive to local labor demand shocks. The effect is also economically significant, as a one-standard-deviation increase in generosity reduces the elasticity of employment growth with respect to local shocks by about 9%. Column (2) shows that the results remain significant after controlling for county and year fixed effects.³³

A source of potentially relevant heterogeneity across counties is industrial characteristics. For instance, counties could be more or less cyclically sensitive as a function of their main industrial sector, which could also be correlated with the availability of unemployment ben-

³³Controlling for year fixed effects may affect the magnitude of the main coefficient β_2 , because by capturing the variation in the Bartik shock common to different regions, it reduces the total variation and the Bartik shock's predictive power.

efits. To check this possibility, we compute the fraction of the work force in each sector since 1998 for each county as provided by BEA, and then take the average for each sector over the sample period 1998-2013. The sectors are construction, manufacturing, government (which includes federal, military, state and local government) and services. As additional controls we consider the interaction between the Bartik shock and all the controls in Table 2, such as the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries, the democratic share and the fraction of individuals with college and high-school degrees. For instance, this specification allows manufacturing counties to react differently than mainly service-based counties. We find that the results remain significant both statistically and economically, indicating that they are not explained by differences in the main employment sectors.

To inquire into the demand channel thesis, we distinguish between the tradable and non-tradable sectors as defined by [Mian and Sufi \(2014\)](#) and compare the sensitivity of each to Bartik shocks. The non-tradable sector consists mainly of restaurants and retail shops as well as services; but it does not include construction.³⁴ The results are given in Columns (4)-(6) for the non-tradable sector, Columns (7)-(9) for tradables. We start with the baseline specification, with no controls, then control for county and year fixed effects (Columns 5 and 8), and then for county industrial composition (Column 6 and 9). We find that UI generosity reduces the sensitivity of the change in employment in the non-tradable sector by about 16-20% but has very little effect on the tradable sector either economically or statistically. This strongly suggests that our results are driven by the higher level of local aggregate demand produced by the greater disposable income of the unemployed.

³⁴Tradable and non-tradable employment together account for about 25% of the total employment, since many industries are not classified in either group. Please refer to the appendix for a detailed definition of each industry.

4.2 Consumption Growth

Further evidence that the demand channel is the key mechanism driving our results comes from an examination of the impact of benefit generosity on consumption. To examine the aggregate demand effect, we investigate the county-level response of consumption – defined as car sales – to shocks. A caveat for this measure of consumption is that it might overestimate the overall attenuation of changes in consumption because car buying is one of the most volatile components of consumption and captures only the extensive margin, i.e. the number of cars sold. On the other hand, unlike other measures of consumption, in our data car sales are measured in the county of registration, not that of purchase, which means it captures consumption in the county of residence and not other counties that might have more highly developed commercial districts. This eases concerns about spillover effects. This point will be especially important for our border design (section 5.8). Furthermore, in section 5.2 we run our regressions at the state level, for which we have very detailed information on durable and non-durable consumption, which alleviates concerns about external validity of this measure.

The results are given in Table 4. The intuition behind our tests is that if generous benefits give the unemployed more disposable income, they will presumably reduce their consumption less sharply supporting aggregate demand and improving the local economy’s resilience. Column (1) gives the baseline estimates with no controls; Column (2) adds county and year fixed effects. A one-standard-deviation increase in generosity reduces the elasticity of consumption growth to local labor shocks by about 18%. This effect remains significant and largely consistent for different specifications.

Column (3) also includes the interaction between other county characteristics and the Bartik shock, as in the previous specifications, to allow for the possibility that consumption might be more responsive to shocks in manufacturing rather than service counties.

These results relate to the work of [Gruber \(1997\)](#). Using household data, [Gruber \(1997\)](#) provides direct evidence of the consumption smoothing benefits of UI by exploiting differences

in the generosity of benefits across states. We complement these results by showing that not only the direct effect of more generous UI but also the local general equilibrium effect will result in a more smooth consumption response to negative shocks.

4.3 Aggregate Earnings Growth

To examine the effects of UI on the economy we complement the previous analysis by investigating the response of aggregate earnings growth to shocks in counties with differing benefit generosity. We use aggregate earnings data from BEA (BEA Table CA30). The main advantage of earnings data rather than income data is that it does not count dividends or government transfers, which are unrelated to local economic activity and it is adjusted by the place of residence. Table 5 reports the results.

Column (1) considers the less restrictive specification, while Column (2) controls for unobserved differences across counties with county fixed effects. Other shocks common to all counties are captured by year fixed effects. Earnings growth in counties with more generous unemployment benefits tend to be less sensitive to adverse shocks, as is shown by the negative sign on the interaction between the Bartik measure and UI generosity. The result is both statistically and economically significant. In fact, a one-standard-deviation increase in UI generosity attenuates the effect of the shocks on aggregate earnings by about 8%. Column (3) controls for several county characteristics, such as the structure of the local economy by industrial sector, as in the previous sections.

In sum, we find that variation in the generosity of unemployment insurance significantly affects the elasticity of earnings growth to local labor supply shocks. Quantitatively, the impact of Bartik shocks on earning growth is about 15% lower in counties in the top quartile of UI generosity than in those in the bottom one.

5 Further Evidence and Robustness Checks

This section set out additional results showing the validity of our identification strategy by using alternative measures of UI generosity, by considering different geographical aggregation levels, by controlling for other potentially contaminating factors, by exploiting the heterogeneity in the data, by restricting attention to counties at the state border, and by examining several alternative explanatory hypotheses.

5.1 Alternative Measures of Unemployment Insurance Generosity

Our baseline measure of generosity employs UI benefit payments directly to compute the income replacement rate: the ratio of total benefits to the worker's weekly wage when employed. However, our results do not hinge on this particular proxy for generosity. Table 6 reports our main specification using two additional measures: the replacement rate times the take-up rate as measured in the CPS (Panel A) and the ratio of the maximum weekly benefit to the average weekly wage in the county in 2000 (Panel B).³⁵ The first measure takes into account that many jobless persons are not eligible for benefits: temporary employees and the self-employed, those who left their jobs voluntarily, and those whose industries are not covered by unemployment insurance, such as construction. To compute the take-up rate, we measure the share of unemployed individuals who actually receive UI benefits, which is slightly less than 40%. The second measure takes advantage of the very significant variation in the weekly benefit which ranges from \$275 a week in Florida to \$646 a week in Massachusetts. Rerunning the main specification with these new measures produces results comparable with the baseline in terms of both statistical and economic significance. In other words, our results do not depend on the particular proxy used but are driven mainly by differences in the unemployment generosity.

³⁵Table A.4 reports similar results when we use: (1) the log of the maximum weekly benefits not normalized by average wages as proxy for the UI generosity; and (2) when we employ an alternative measure provided by the BLS defined as the weekly benefit amount divided by the average wage of UI recipients.

5.2 State and Commuting Zone

To show that our main results do not hinge on county-level variation, we confirm them using data at state and commuting zone levels.³⁶ The useful feature of state level data is that it corresponds to the main source of differences in UI generosity, namely state law and allows the results to be checked with reference to total consumption growth, not just car sales. Table 7 reports the results. Employment growth in the non-tradable sector is less sensitive to shocks when UI is more generous, while for the tradable sector there is no significant effect (Columns 1-3). Since our county-level measure of consumption captures only one of its major components, we also collect BEA data at state level on total aggregate consumption (durables and nondurables). Columns (4)-(6) reports the results. We find that a one-standard-deviation increase in generosity reduces the sensitivity of total consumption to negative employment shocks by about 7%. This strongly suggests that our findings are not driven by special features of the auto industry but are due to the broader aggregate demand channel. Even if less significant, Column (7) confirms the results on earnings growth.³⁷ Panel B also reports the results for the alternative measure of UI generosity. Table A.6 in the appendix shows that these results are robust to the inclusion of state-specific linear and quadratic trends.

The results for commuting zones are given in Table 8. Commuting zone comprise all US metropolitan and nonmetropolitan areas, and as [Tolbert and Sizer \(1996\)](#) and [Autor and Dorn \(2013\)](#) suggest, they are the logical geographic units for defining local labor markets. We show that our results are not driven by workers consuming in areas where they do not live or by spillovers between counties.³⁸ Both the magnitude and the significance of the

³⁶For the CZ and State level results, we re-computed the Bartik shocks for state or CZ i by taking out that state or CZ i . In other words, we do not simply take the average of the county-level Bartik shocks.

³⁷It should be noted that the main reason for the changes in the coefficient of the main effect of Bartik shock in the state level result is the fact that a higher fraction of state-level bartik shocks are absorbed with the time fixed effects. As can be seen in Table A.7 in the Appendix, not including the time fixed effects results in main coefficients that are very similar to the ones estimated in the county-level regressions.

³⁸Note that for the CZ specifications, we do not do any other adjustment for commuting flows (e.g. [Monte et al. \(2015\)](#)).

results are quite similar to the county-level results. Panel B reports similar results for the alternative measure of UI generosity.

We use the result in Panel B of Table 8 to calculate the local fiscal multiplier for two main reasons. First, using the commuting zones results ensure that there are weaker spillovers to other regions. Second, by using the unconditional replacement rate measure of unemployment benefits, we avoid making any specific assumption about the take-up rate of unemployment benefits.

5.3 State Policies

A potential concern is the possible presence of other state policies, correlated with UI generosity, that affect the sensitivity of the economy to local labor shocks. For instance, [Holmes \(1998\)](#) shows that right-to-work laws produce an endogenous sorting of firms into states, which could well affect our estimates if the laws are correlated with UI generosity. Or the level of the minimum wage might also affect unemployment by making wages less responsive and inducing labor market rationing. Furthermore, there might be other government transfers correlated with UI generosity that might contaminate our estimates.

Since these interstate differences might also drive the sensitivity of the local economy to supply shocks, we test the robustness of our estimates by including the interaction between the Bartik shock and the presence of right-to-work laws, the minimum wage level and the log of other government transfers interacted with Bartik shocks (Table 9).³⁹ The data on these two policies comes from [Holmes \(1998\)](#) and [Dube et al. \(2010\)](#). The pattern is very similar to those found above. More generous UI reduces the sensitivity of earnings, non-tradable sector employment and car sales to negative shocks, while there is no comparable effect on employment in the tradable sector. This reassures us that our estimates are truly capturing the effect of differences in the generosity of jobless benefits and not other policy variations that could affect county-level sensitivity to economic fluctuations.

³⁹The main government transfers include food stamps, income maintenance, disability, and medical benefits.

5.4 UI Tax and Firms Sorting

Theoretically our baseline results could be explained by a combination of the differences in UI generosity and an endogenous sorting of firms into different states based on marginal UI tax cost. For instance, firms whose activity is less cyclical or less sensitive to economic shocks might find it optimal to locate in states where the UI tax is less sensitive to their firing decisions, as their layoff risk is smaller. Although this is unlikely to explain our results entirely, we directly address this concerns using data on the top and bottom UI tax rates in each state. Interestingly, as Figure 2.A in the appendix shows, there is a very strong positive correlation between the difference in the maximum minus the minimum UI tax and the marginal tax cost computed by [Card and Levine \(2000\)](#), which uses proprietary data.⁴⁰ Accordingly, we use the difference in marginal tax rates to proxy for the cost borne by firms, which should affect location decisions.

First of all, Figure 2.B in the appendix shows that our measure of generosity is not significantly correlated with the unemployment insurance tax rate. Yet since it might still affect our results indirectly, we also control for the interaction of the Bartik shock with the difference in UI tax rates and with the log of the taxable wage base (Table 10). Our baseline findings are robust to this specification as well. And in fact if there were sorting, it should affect firms in the tradable and the non-tradable sectors alike, but we do not find any significant effect in the tradable sector. This confirms that our results cannot be explained by the sorting of firms into states depending on the marginal UI tax rate.

5.5 Alternative Bartik shocks

In obtaining the foregoing results we have computed the Bartik shocks for all sectors. However, we now show that there is significant intersectoral spillovers by excluding from the computation of the Bartik shocks the construction and the non-tradable sectors. Table 11

⁴⁰The difference in the maximum minus the minimum UI tax is for the year 2002 as this is the first year for which we have the data.

shows the effects of these shocks on real economic activity. Intuitively, this procedure captures the effects of workers being dismissed, for instance, in the car manufacturing sector, which will decrease their demand in the non-tradable sector, e.g. restaurants, retail outlets and services. This in turn will depress the economy, lowering employment in non-tradables as well and depressing earnings. Table 11 shows that these effects, which might be due to spillovers or general equilibrium factors, are mitigated where UI is more generous. Specifically, let us emphasize the finding that shocks to other sectors are strong predictors of employment in the non-tradable sector and the fact that up to a third of these spillovers are attenuated when UI is more generous (Column 2). We also find that car sales and earnings growth are less responsive to shocks in the tradable sector when UI is more generous.

5.6 Heterogeneous Effects

In this section we exploit two sources of heterogeneity – the magnitude of shocks and local economic conditions – to provide further evidence in support of the mechanism hypothesized.

5.6.1 Asymmetric Effects

Up to now, we have considered all Bartik shocks together, not differentiating between positive and negative shocks. But we hypothesize that UI generosity should be more important for negative shocks, because UI payments themselves are more responsive to negative shocks than to positive ones and because consumption is more sensitive to negative shocks than to positive ones when households are financially constrained (e.g. [Aiyagari \(1994\)](#)). Moreover, the presence of asymmetric effects is consistent with an aggregate supply curve whose slope rises with output, as well as with the empirical work of [Auerbach and Gorodnichenko \(2012\)](#).

Evidence consistent with this hypothesis is given in Table 12. "Below Median Bartik Shock" identifies the bottom half in the magnitude of the Bartik shock, while "Above Median Bartik Shock" the top half. In Column (1) the dependent variable is employment growth, while in Columns (2) and (3) show that growth in the non-tradable and the tradable sectors,

respectively. In Column (4) we investigate the effect of UI and Bartik shock on the growth of car sales as measured by Polk for the period 2001-2011. Column (5) investigates the effect on earnings growth.

We find that the coefficient of our main dependent variable is negative and statistically significant in the case of negative labor demand shocks, while the interaction between UI and the Bartik shocks becomes smaller and insignificant for positive shocks. The most significant results are those for consumption growth and for employment growth in the non-tradable sector; for the other variables the results are less pronounced.⁴¹ Overall, Figure 1 stands confirmed: that is, more generous unemployment benefits attenuate the sensitivity mainly to negative shocks and has no effect in the case of positive.

5.6.2 Unemployment Rate

When can we expect unemployment insurance to be most effective in attenuating economic fluctuations, in other words, when is its multiplier effect greatest? [Auerbach and Gorodnichenko \(2012\)](#) find large differences in spending multipliers between recessions and expansions, fiscal policy being considerably more effective in the former. Accordingly, we hypothesize that the dampening effect of more generous UI is larger when the local economy is further away from the full employment, then the positive aggregate demand response of jobless benefits should be more effective in reducing the economy's sensitivity to shocks during downturns. We test this thesis by interacting our main coefficient of interest, $Bartik_{i,t} \times UI$, with the lagged county unemployment rate in the preceding year. We chose the previous year's rate rather than the current year's in order to minimize the endogeneity concerns. Table 13 reports the results: the dampening effect of UI generosity is larger when unemployment rate is larger for employment growth in the non-tradable sector and earnings growth.

⁴¹Note that total employment is not a weighted average of the employment in the tradable and non-tradable sectors, because they only account for at most 25% of total employment. The remaining are sectors that cannot be classified in either category (see the technical appendix for more details).

5.7 Excluding the Great Recession

An important source of unobserved heterogeneity that could contaminate our results is the policies undertaken during the Great Recession. For instance, during the financial crisis there were several extensions of UI and a number of federal interventions to support unemployed workers, which may have affected counties' sensitivity to Bartik shocks. If this is so, our result could be distorted by such policies. To address this concern, we restrict our sample to the years before 2008 (Table A.5 in the Appendix). All of our results, except that for earnings growth, remain both economically and statistically significant. We can conclude that the lower sensitivity of employment and consumption growth to local labor shocks in counties with more generous UI does not depend on recession-induced increase in benefits.

6 Fiscal Multiplier

The Great Recession has revived interest in the stimulus provided by changes in government spending and taxation. We contribute to the discussion by using our estimates to obtain a local fiscal multiplier for UI expenditures. In this calculation, we use the result based on the commuting zones when we measure unemployment benefits with the unconditional income replacement rate. Commuting zones have the advantage of being subject to weaker spillovers between regions: most of the effect of the UI payments on local earnings is captured by the change in the total earnings of that commuting zone. Using the unconditional income replacement rate already takes into account that not every unemployed worker receives the unemployment benefits, and does not require any specific assumption about the take-up rate.

Let us start from the following specifications:

$$Earning\ Growth_{i,t} = \beta_1(Bartik_{i,t} \times UI_{i,\tau}) + \beta_2 Bartik_{i,t} + \beta_3 Bartik_{i,t} \times X_i + \eta_i + \varepsilon_{i,t}, \quad (2)$$

and

$$UI\ Payment\ per\ capita_{i,t} = \theta \times Bartik_{i,t} + \gamma_{i2} + \varepsilon_{it} \quad (3)$$

and let us define σ_{UI} the standard deviation of the UI generosity payment and μ_{UI} its mean.

We want to compute the local multiplier on earnings λ . To be clear, we are not interested in the direct effect of UI extensions on income. Instead, we would like to compare the reaction of two similar economies, one with more generous UI and one with less generous UI, to the same Bartik shock. Formally, we compare the change in the earnings due to a Bartik shock of size x of a local economy with UI generosity that is one standard deviation above the average ($\sigma_{UI} + \mu_{UI}$), with the response of an economy with an average UI generosity to the same shock, and we divide that by the difference in the UI payments in these two economies. Formally, we can define the local multiplier as

$$\lambda = \frac{\Delta(Earnings|Bartik = x, UIgen = \mu_{UI} + \sigma_{UI}) - \Delta(Earnings|Bartik = x, UIgen = \mu_{UI})}{\Delta(UI\ Payment|Bartik = x, UIgen = \mu_{UI} + \sigma_{UI}) - \Delta(UI\ Payment|Bartik = x, UIgen = \mu_{UI})}$$

Using equation (2) we can estimate the change in earnings caused by the increase in the generosity of UI as follows:

$$\begin{aligned} & \Delta(Earnings|Bartik = x, UIgen = \mu_{UI} + \sigma_{UI}) - \Delta(Earnings|Bartik = x, UIgen = \mu_{UI}) \\ & = \delta \times x \times \sigma_{UI} \times avg.\ Earnings\ per\ capita \times Population \end{aligned}$$

Note that this is directly derived from (2). The regression results reported in Table 8.B are based on normalized values of UI generosity and therefore increasing UI generosity by σ_{UI} is equivalent to an increase in the UI generosity by one unit.

For the calculations of the effect of an increase in the generosity of unemployment insurance on the UI payments, we focus on its direct effect. Specifically, we assume that if UI payments are α percent more generous, the total UI payments for the same shock will

increase by α percent. This calculation ignores two factors. First, it ignores the local general equilibrium effect that by making unemployment benefits more generous, the local economy becomes less responsive to local labor demand shocks. According to our calculations and the result on the effect of UI generosity of UI on employment (Table 8.B), this may result to overestimate the increase in the UI payments by at most 5%. Second, an increase in UI generosity may also increase the length of the unemployment spell, which increases the total UI payments and leads us to underestimate the effect of increase in UI generosity on the increase in UI payments.

Using Equation (3), we calculate the direct effect of the increase in UI generosity on UI payments as:

$$\begin{aligned} \Delta (UI\ Payment|Bartik = x, UIgen = \mu_{UI} + \sigma_{UI}) - \Delta (UI\ Payment|Bartik = x, UIgen = \mu_{UI}) \\ = [\theta \times bartik_{it} \times (\mu_{UI} + \sigma_{UI}) / \mu_{UI} - \theta \times bartik_{it}] \times Population \\ = \theta \times bartik_{it} \times \sigma_{UI} / \mu_{UI} \times Population \end{aligned}$$

where σ_{UI} / μ_{UI} captures how many percentage points the generosity of UI will increase when we increase the UI generosity by σ_{UI} , i.e. how much the payment will increase as a result of an increase in the generosity of UI. Therefore, we can rewrite the multiplier as:

$$\begin{aligned} \lambda &= \frac{\delta \times avg. Earnings\ per\ capita}{\theta} \times \left(\frac{\sigma_{UI}}{\mu_{UI}} \right)^{-1} \\ &= \frac{-0.07 \times \$27.5k}{\$3.3k} \times \left(\frac{0.04}{0.13} \right)^{-1} = 1.90 \end{aligned}$$

Notice that although the UI payments are a small fraction of the total earnings, because they are very cyclical and more responsive to local shocks than the total income they have a significant effect on dampening the effects of local economic shocks. The fact that $\theta = \$3.3k$ means that a one-standard-deviation increase in the Bartik shock, equivalent to 2.3%, results

in an increase of about \$80 in UI payments yearly per capita.⁴²

This relates our paper to the series of recent papers using cross-state variation to estimate fiscal multipliers.⁴³ Moreover, our estimates are very consistent with those found in other papers that use a different source of variation in government spending. For instance, [Serrato and Wingender \(2010b\)](#) exploit the fact that a large number of federal spending programs depend on local population levels and exploit changes in the methodology that the Census uses to provide a count of local populations to estimate a fiscal multiplier of 1.57. [Shoag et al. \(2010\)](#) instruments state government spending with variations in state-managed benefit pension plans and find that government spending has a local income multiplier of 2.12 and an estimated cost per job of \$35,000 per year. More recently, [Chodorow-Reich et al. \(2012\)](#) examine the effect of the \$88 billion of aid to state governments through the Medicaid reimbursement process contained in The American Recovery and Reinvestment Act (ARRA) of 2009 on states' employment and find a multiplier of about 2. Whereas [Nakamura and Steinsson \(2014\)](#) employ data on military procurement spending across U.S. regions their differential effects across regions to estimate an "open economy relative multiplier" of approximately 1.5.

Our estimates are broadly consistent with the range of estimates for fiscal multipliers on income and employment provided by the existing studies, which also reassures us that our methodology is not capturing other unobserved differences across counties that might bias our results upwardly.

⁴²It should be noted here that as shown by [Nakamura and Steinsson \(2014\)](#), the implication of this local fiscal multiplier for the aggregate multiplier is highly sensitive to how strongly aggregate monetary policy leans against the wind. In other words, this local multiplier can result into a larger aggregate multiplier in periods in which the zero lower bound is binding and into a smaller aggregate multiplier in normal times.

⁴³For a survey of the literature on national output multipliers see [Ramey \(2011a\)](#).

7 Concluding Remarks

This paper evaluates the extent to which unemployment insurance attenuates the sensitivity of real economic activity to local labor demand shocks. Our strategy follows [Bartik \(1991\)](#) and [Blanchard and Katz \(1992\)](#) in constructing a measure of the predicted change in demand-driven labor shocks at county level. This measure is interacted with county-level benefit generosity in the year 1998.

Two principal findings emerge. First, estimating the response of earnings growth to shocks in counties differing in relative UI generosity, we find that where unemployment benefits are more generous, the local economy tends to react significantly less sharply to negative shocks.

Second, we provide evidence that the main channel through which this effect is produced is demand: car sales are less sensitive to negative shocks in counties with more generous UI. Moreover, only the non-tradable sector, where activity is driven mainly by local demand conditions, shows variations in employment corresponding to the interstate variation in UI generosity. These results are robust to checks for unobserved heterogeneity between areas and other policy measures that might affect the responsiveness of the economy to shocks.

Overall, the paper offers new evidence to contribute to the debate on the importance of automatic stabilizers, demonstrating that more generous unemployment benefits, working through the demand channel, significantly attenuate the volatility of economic fluctuations.

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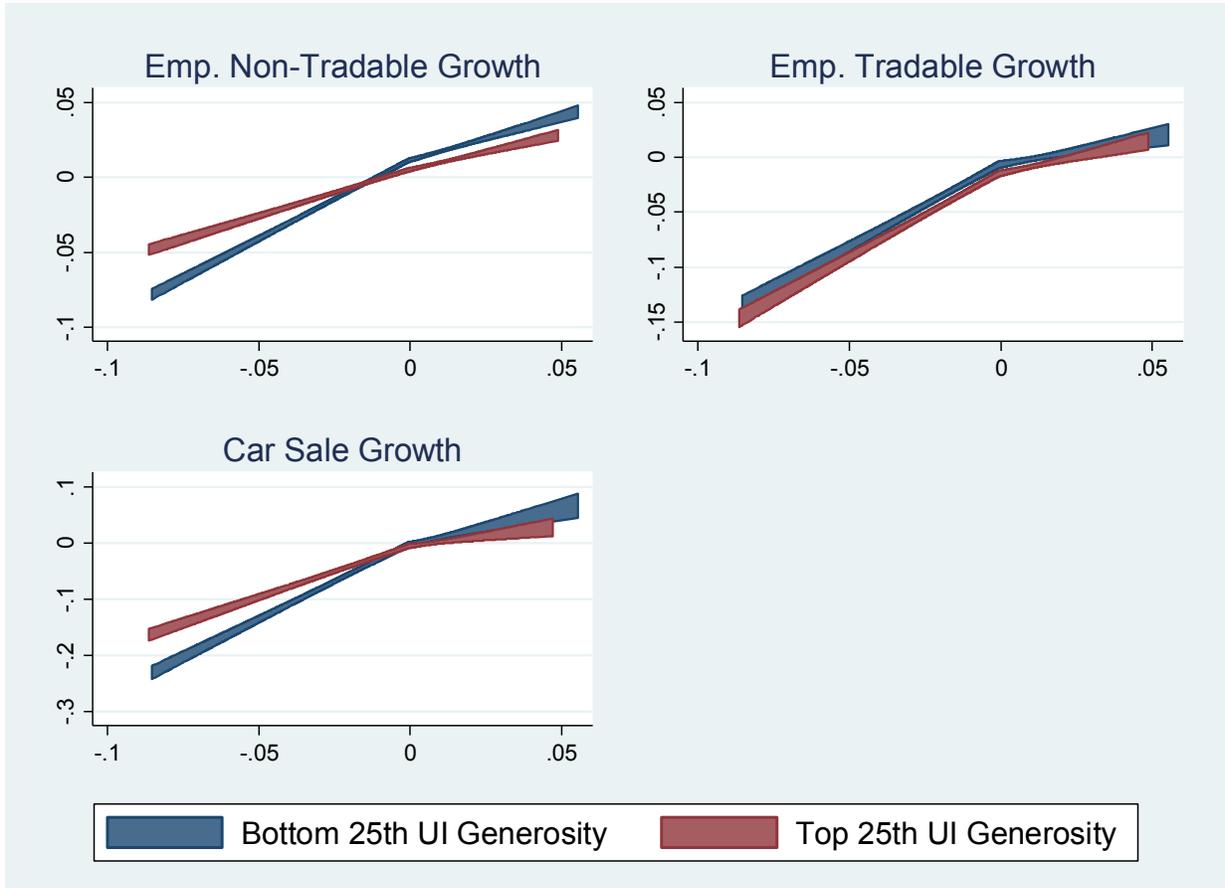


Figure 1 Spline Estimation

This graph depicts the effect of the UI generosity in attenuating the Bartik shocks using a spline estimation methodology for each dependent variable and comparing counties in the top and bottom quartile of UI generosity. The knots for the spline regression are at the 33th percentile of Bartik shock. The figure also reports the 95% confidence intervals. The blue and the red areas show the effects for the bottom and the top quartile in UI generosity (measured by the income replacement ratio), respectively.

Table 1
Summary Statistics

The table reports the summary statistics for the main variables. Panel A focus on the variables computed in 2000, while Panel B examines the variables over the period 1999-2013 (car sales data is for 2001-2011). The data on earnings growth and industrial composition is collected from the Bureau of Economic Analysis, while employment growth by industry for each county is computed using yearly data provided by the County Business Patterns (CBP). Data on average wages is provided by the BEA. R. L. Polk & Company records all new car sales in the United States and provides our measure of car sales. Democratic share unavailable at the county-level in Alaska. Alternative Bartik shock are the shocks to the sectors other than construction and non-tradable sectors.

Panel A. Static Variables in 2000

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	N	Mean	St. Dev	p1	p10	p50	p90	p99
Max Weekly Benefit	3,098	297.4	62.72	191.1	230.3	283.9	406.8	440.1
Number of Weeks	3,098	26.17	0.816	26	26	26	26	30
Replacement Rate	3,098	0.364	0.0391	0.301	0.307	0.367	0.414	0.440
Replacement Rate x Take-Up Rate	3,098	0.132	0.0395	0.0723	0.0930	0.123	0.186	0.229
Log of Median Income	3,088	10.66	0.239	10.12	10.36	10.65	11.01	11.26
Share of Employees in Construction Sector	3,098	0.0581	0.0209	0	0.0373	0.0558	0.0841	0.118
Share of Employees in Manufacturing Sector	3,098	0.116	0.0677	0	0.0430	0.105	0.206	0.341
Share of Employees in Services Sector	3,098	0.548	0.0911	0.280	0.419	0.565	0.652	0.702
Share of Employees in Government Sector	3,098	0.140	0.0610	0.0626	0.0826	0.125	0.212	0.371
Share of Self-Employed workers	3,098	0.177	0.0671	0.0721	0.112	0.165	0.263	0.420
Share of High School graduates	3,098	80.31	7.405	59.70	69.90	81.80	88.80	92.80
Share of College Graduates	3,098	24.36	9.473	8.400	12.61	24.50	38.20	51.90
Tax Difference	3,098	6.406	1.319	4.734	5.299	6.052	8.324	9.783
Right to Work Laws	3,098	0.383	0.486	0	0	0	1	1
Other government transfers	3,098	3,385	547.7	2,483	2,768	3,218	4,082	4,756
Democratic Share	3,079	0.488	0.130	0.215	0.330	0.474	0.647	0.806
Population	3,098	1.047e+06	1.875e+06	8,752	35,759	407,847	2.467e+06	9.538e+06

Panel B. Dynamic Variables

Bartik Shock (1998 as base year)	46,470	0.00238	0.0233	-0.0688	-0.0291	0.00814	0.0257	0.0333
Alternative Bartik Shock	46,470	0.00317	0.0220	-0.0623	-0.0296	0.00844	0.0250	0.0350
Employment Growth	46,470	0.00519	0.0335	-0.0865	-0.0365	0.00833	0.0408	0.0824
Employment in Non-Tradable Sector Growth	46,470	0.00560	0.0440	-0.104	-0.0444	0.00708	0.0500	0.125
Employment in Tradable Sector Growth	46,470	-0.0174	0.102	-0.246	-0.111	-0.0190	0.0623	0.289
Income Growth	46,470	0.0394	0.0391	-0.0701	-0.00315	0.0404	0.0812	0.135
Car Sales Growth	34,032	-0.0234	0.123	-0.330	-0.194	-0.0161	0.118	0.287
Average Wages Growth	46,470	0.0295	0.0329	-0.0485	-0.00215	0.0283	0.0602	0.125
Labor Force Growth	46,470	0.00718	0.0246	-0.0584	-0.0171	0.00656	0.0325	0.0807
Unemployment Growth	46,470	0.175	0.528	-0.413	-0.280	0.00973	0.902	2.009

Table 2
UI Generosity and County Characteristics

The table reports the correlations between our three measures of UI generosity and several regional characteristics measured in 2000. Each column is a separate weighted least squares regression. The data on industrial composition, other transfers and on average wages are collected from the Bureau of Economic Analysis while fraction of high school and college graduates and the median income are from census. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Fraction Constr.	Fraction Manuf.	Fraction Service	Fraction Gov.	Min Wage	Right To Work	Log Average Wages	Fraction Self Employed	Fraction High School Graduates	Fraction College Graduates	Max UI Tax rate - Min UI Tax rate (as of 2002)	Median Income	Dem. Share	Other Transfers
Replacement Ratio	-0.0256 -0.0415	0.215* -0.115	0.0267 -0.19	-0.139* -0.0819	-0.0739 (0.812)	-0.143 -2.464	-0.432 -0.772	-0.129* -0.0688	26.74* -13.87	-4.465 -13.86	12.08*** -4.106	-0.229 -0.522	0.213 -0.33	4,795*** (1,291)
Observations	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,088	3,079	3,098
R-squared	0.002	0.015	0	0.008	0.000	0	0.004	0.006	0.02	0	0.128	0.001	0.004	0.117
Replacement Rate × TakeUp	-0.108*** (0.0307)	0.348*** (0.109)	0.151 (0.152)	-0.216*** (0.0584)	1.388 (0.877)	-7.153*** (1.711)	0.729 (0.513)	-0.192*** (0.0664)	40.46*** (13.17)	11.02 (15.07)	13.30*** (4.404)	0.784 (0.495)	0.712** (0.278)	6,419*** (1,688)
Observations	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,088	3,079	3,098
R-squared	0.042	0.041	0.004	0.020	0.092	0.338	0.013	0.013	0.047	0.002	0.159	0.017	0.047	0.214
Max Weekly Benefit / Average Weekly Wage	0.0291*** (0.00771)	0.0465 (0.0287)	-0.251*** (0.0374)	0.0742*** (0.0261)	-0.118 (0.178)	0.0499 (0.507)	-1.445*** (0.129)	0.268*** (0.0679)	-5.047 (5.354)	-34.83*** (3.655)	2.045* (1.143)	-0.727*** (0.0863)	-0.286*** (0.0640)	889.0** (405.3)
Observations	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,098	3,088	3,079	3,098
R-squared	0.033	0.008	0.127	0.025	0.007	0.000	0.531	0.267	0.008	0.226	0.040	0.155	0.081	0.044

Table 3
Employment Growth

The table reports coefficient estimates of weighted least square regressions relating the employment growth to the unemployment insurance generosity and Bartik shock using as weights the population in 2000. The full sample includes the period 1999-2013. In Columns 1-3, the dependent variable is the employment growth. In Columns 4-9 we distinguish between employment growth in the non-tradable and tradable sectors. Columns 1, 4 and 7 show the effects without any controls, while in Columns 2, 5 and 8 we include county and year fixed effects. In Columns 3, 6 and 9 we control for the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (**=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	<i>Employment Growth</i>			<i>Employment in Non-Tradable Sector</i>			<i>Employment in Tradable Sector</i>		
Bartik Shock × UI Generosity	-0.08** (0.03)	-0.07** (0.03)	-0.06** (0.03)	-0.13** (0.06)	-0.13** (0.06)	-0.12*** (0.04)	-0.02 (0.04)	0.02 (0.04)	-0.01 (0.03)
Bartik Shock	0.94*** (0.03)	1.23*** (0.08)	1.25*** (0.07)	0.72*** (0.05)	0.45*** (0.10)	0.51*** (0.11)	1.27*** (0.04)	1.79*** (0.20)	1.82*** (0.22)
County Fixed Effects		Yes	Yes		Yes	Yes		Yes	Yes
Year Fixed Effects		Yes	Yes		Yes	Yes		Yes	Yes
Bartik Shock × Controls			Yes			Yes			Yes
Observations	46,470	46,470	46,050	46,470	46,050	46,050	46,470	46,050	46,050
R-squared	0.43	0.07	0.08	0.01	0.02	0.01	0.08	0.01	0.01
Number of Counties	3,098	3,098	3,070	3,098	3,070	3,070	3,098	3,070	3,070

Table 4**Car Sales**

The table reports coefficient estimates of weighted least square regressions relating car sales to the unemployment insurance generosity and Bartik shock using as weights the population in 2000. The number of cars sold in each county is provided by Polk, and the full sample includes the period 2001-2011. In all columns the dependent variable is the car sales. Column 1 shows the effects without any control, while in Column 2 we include county and year fixed effects. In Columns 3 we control for the interaction between the Bartik shock and all the controls in Table 2, such as the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the democratic share and the fraction of individuals with high-school and college degrees. Standard errors are clustered at the state level. Asterisks denote significance levels (**=1%, ***=5%, *=10%).

	(1)	(2)	(3)
	<i>Car Sales</i>		
	<i>Full Sample</i>	<i>Full Sample</i>	<i>Full Sample</i>
Bartik Shock × UI Generosity	-0.31*** (0.08)	-0.32*** (0.07)	-0.27*** (0.07)
Bartik Shock	1.97*** (0.11)	1.70*** (0.27)	1.69*** (0.24)
County Fixed Effects		Yes	Yes
Year Fixed Effects		Yes	Yes
Bartik Shock × Controls			Yes
Observations	34,032	34,032	33,755
R-squared	0.15	0.02	0.03
Number of Counties	3,097	3,097	3,070

Table 5**Earnings Growth**

The table reports coefficient estimates of weighted least square regressions relating earnings growth to the unemployment insurance generosity and Bartik shock using as weights the population in 2000. The full sample includes the period 1999-2013. In all columns the dependent variable is the earnings growth. Column 1 shows the effects without any control, while in Column 2 we include county and year fixed effects. In Columns 3 we control for the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (**=1%, ***=5%, *=10%).

	(1)	(2)	(3)
	<i>Earnings Growth</i>		
	<i>Full Sample</i>	<i>Full Sample</i>	<i>Full Sample</i>
Bartik Shock × UI Generosity	-0.09*** (0.03)	-0.08** (0.03)	-0.07*** (0.02)
Bartik Shock	1.03*** (0.04)	1.24*** (0.08)	1.23*** (0.07)
County Fixed Effects		Yes	Yes
Year Fixed Effects		Yes	Yes
Bartik Shock × Controls			Yes
Observations	46,470	46,470	46,050
R-squared	0.38	0.06	0.08
Number of Counties	3,098	3,098	3,070

Table 6**Robustness I: Different Measures of UI Generosity**

The table reports coefficient estimates of weighted least square regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock using as weights the population in 2000. The full sample includes the period 1999-2013. In Panel A, instead, we employ the replacement rate times the take-up rate as measured from CPS. In Column 1 the dependent variable is employment growth, while in Column 2 and 3 it is the employment growth in the non-tradable and tradable sector respectively. In Column 4 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 5 the dependent variable is the earnings growth. We control for the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (***)=1%, (**)=5%, (*)=10%.

Panel A - Replacement Rate \times Take-Up

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock \times UI Generosity	-0.05* (0.03)	-0.10* (0.05)	0.02 (0.03)	-0.21*** (0.08)	-0.05** (0.03)
Bartik Shock	1.26*** (0.07)	0.53*** (0.11)	1.84*** (0.21)	1.73*** (0.24)	1.25*** (0.07)
Observations	46,050	46,050	46,050	33,755	46,050
R-squared	0.08	0.01	0.01	0.03	0.08
Number of fips	3,070	3,070	3,070	3,070	3,070

Panel B -UI Generosity = Max Weekly Benefit / Average Weekly Wage

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock \times UI Generosity	-0.07** (0.03)	-0.12** (0.06)	0.00 (0.04)	-0.40*** (0.10)	-0.13*** (0.03)
Bartik Shock	1.25*** (0.08)	0.50*** (0.11)	1.83*** (0.22)	1.62*** (0.24)	1.19*** (0.07)
Observations	46,050	46,050	46,050	33,755	46,050
R-squared	0.08	0.01	0.01	0.03	0.08
Number of Counties	3,070	3,070	3,070	3,070	3,070

Table 7
Robustness II: State Level Evidence

The table reports coefficient estimates of weighted least square regressions relating economic activity measured at the state level to the unemployment insurance generosity and Bartik shock using as weights the population in 2000. Panel A shows the results for the Replacement Rate while Panel B consider the unconditional measure of take-up times the Replacement Rate. In Columns 1-3 the dependent variable is employment growth, and employment growth in the non-tradable and tradable sector. Columns 4-6 distinguish between total consumption growth, durable goods and car sales. Car sales is the dollar amount spend on cars as provided by the BEA. Column 7 reports the results for income growth. The data is provided by BEA, and the full sample includes the period 1999-2013. In all columns we control for state and year fixed effects and the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

Panel A - Replacement Rate

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Total Consumption Growth</i>	<i>Durable Goods Growth</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.04 (0.03)	-0.11*** (0.04)	-0.04 (0.03)	-0.03* (0.02)	-0.07* (0.04)	-0.12** (0.05)	-0.05** (0.02)
Bartik Shock	1.16*** (0.20)	0.20 (0.26)	2.55*** (0.41)	0.70*** (0.15)	2.14*** (0.26)	2.29*** (0.42)	1.27*** (0.25)
State Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	765	765	765	765	765	765	765
R-squared	0.16	0.09	0.10	0.19	0.21	0.25	0.14
Number of States	51	51	51	51	51	51	51

Panel B - Replacement Rate × Take-Up

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable</i>	<i>Employment in Tradable Sector</i>	<i>Total Consumption Growth</i>	<i>Durable Goods Growth</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.07* (0.04)	-0.08* (0.05)	-0.07** (0.04)	-0.03** (0.02)	-0.03 (0.04)	-0.01 (0.07)	-0.08*** (0.02)
Bartik Shock	1.11*** (0.20)	0.20 (0.26)	2.49*** (0.41)	0.69*** (0.15)	2.17*** (0.25)	2.39*** (0.40)	1.22*** (0.25)
State Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	765	765	765	765	765	765	765
R-squared	0.16	0.08	0.10	0.19	0.21	0.24	0.14
Number of States	51	51	51	51	51	51	51

Table 8
Robustness III: Commuting Zone

The table reports coefficient estimates of regressions relating the main dependent variables at the commuting zone level to the unemployment insurance generosity and Bartik shock to the tradable sector. The full sample includes the period 1999-2013. Panel A shows the results for the Replacement Rate while Panel B consider the unconditional measure of Replacement Rate. In Column 1 the dependent variable is employment growth, while in Column 2 and 3 it is the employment growth in the non-tradable and tradable sector respectively. In Column 4 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 5 the dependent variable is the earnings growth. We control for the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the CZ level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

Panel A - Replacement Rate

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.06*** (0.02)	-0.15*** (0.03)	-0.02 (0.03)	-0.24*** (0.05)	-0.04** (0.02)
Bartik Shock	0.92*** (0.08)	0.60*** (0.11)	1.10*** (0.22)	2.03*** (0.32)	0.91*** (0.11)
CZ Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Observations	10,390	10,395	10,361	7,623	10,395
R-squared	0.07	0.07	0.01	0.04	0.06
Number of Counties	693	693	693	693	693

Panel B - Replacement Rate × Take-Up

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.04*** (0.02)	-0.15*** (0.03)	-0.02 (0.03)	-0.22*** (0.07)	-0.07*** (0.02)
Bartik Shock	0.92*** (0.09)	0.59*** (0.11)	1.09*** (0.22)	1.99*** (0.33)	0.89*** (0.11)
CZ Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Observations	10,390	10,395	10,361	7,623	10,395
R-squared	0.07	0.06	0.01	0.04	0.06
Number of Counties	693	693	693	693	693

Table 9**Robustness IV: State-Level Policies**

The table reports coefficient estimates of regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock controlling for other state policies. We control for the presence of right-to-work laws and the minimum wage in the state and their interaction with the Bartik shock. We also control for the interaction between the Bartik shock and the log of other government transfers. The full sample includes the period 1999-2013. In Column 1 the dependent variable is employment growth, while in Column 2 and 3 it is the employment growth in the non-tradable and tradable sector respectively. In Column 4 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 5 the dependent variable is the earnings growth. We control for the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (**=1%, ***=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.05** (0.03)	-0.10*** (0.03)	-0.00 (0.03)	-0.19*** (0.07)	-0.05* (0.03)
Bartik Shock × Right-to-Work	0.03 (0.03)	0.05 (0.06)	-0.01 (0.03)	0.17** (0.08)	0.05 (0.03)
Bartik Shock × Minimum Wage	0.06*** (0.02)	0.11*** (0.03)	0.01 (0.02)	0.11 (0.08)	0.00 (0.02)
Bartik Shock × Other Transfers	-0.04* (0.02)	-0.04 (0.04)	-0.01 (0.02)	-0.29*** (0.06)	-0.07** (0.03)
Bartik Shock	1.22*** (0.08)	0.46*** (0.11)	1.82*** (0.22)	1.49*** (0.23)	1.18*** (0.08)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Observations	46,050	46,050	46,050	33,755	46,050
R-squared	0.09	0.02	0.01	0.04	0.09
Number of Counties	3,070	3,070	3,070	3,070	3,070

Table 10
Robustness V: Sorting of Firms into States

The table reports coefficient estimates of regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock controlling for UI tax rate. We control for the difference between the max and min UI tax rate and its interaction with the Bartik shock as well as the Log of taxable wage base and the Bartik shock. The full sample includes the period 1999-2013. In Column 1 the dependent variable is employment growth, while in Column 2 and 3 it is the employment growth in the non-tradable and tradable sector respectively. In Column 4 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 5 the dependent variable is the earnings growth. We control for the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (**=1%, ***=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.06** (0.03)	-0.10** (0.05)	-0.03 (0.04)	-0.27*** (0.07)	-0.05** (0.02)
Bartik Shock × (Tax Max – Tax Min)	-0.05* (0.03)	-0.11** (0.04)	0.02 (0.03)	-0.17** (0.08)	-0.07*** (0.02)
Bartik Shock × Log(Taxable Wage Base)	0.03 (0.02)	0.05 (0.04)	0.05 (0.03)	0.16*** (0.06)	0.01 (0.02)
Bartik Shock	1.24*** (0.07)	0.49*** (0.10)	1.83*** (0.21)	1.65*** (0.23)	1.22*** (0.08)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Observations	46,050	46,050	46,050	33,755	46,050
R-squared	0.09	0.02	0.01	0.04	0.08
Number of Counties	3,070	3,070	3,070	3,070	3,070

Table 11
Robustness VI: Alternative Bartik shocks

The table reports coefficient estimates of regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock to the sectors other than construction and non-tradable sectors. The full sample includes the period 1999-2013. In Column 1 the dependent variable is employment growth, while in Column 2 and 3 it is the employment growth in the non-tradable and tradable sector respectively. In Column 4 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 5 the dependent variable is the earnings growth. We control for the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.07** (0.03)	-0.12*** (0.05)	-0.02 (0.04)	-0.27*** (0.07)	-0.08*** (0.02)
Bartik Shock	0.89*** (0.05)	0.32*** (0.10)	1.53*** (0.19)	1.23*** (0.22)	0.89*** (0.06)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Observations	46,050	46,050	46,050	33,755	46,050
R-squared	0.07	0.01	0.01	0.02	0.07
Number of Counties	3,070	3,070	3,070	3,070	3,070

Table 12**Heterogeneous Effects I: Asymmetric Effects**

The table reports coefficient estimates of regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock. The full sample includes the period 1999-2013. "Below Median Bartik Shock" identifies the bottom half in the magnitude of the Bartik shock after we take out the average for each county, while "Above Median Bartik Shock" identifies the top half. In Column 1 the dependent variable is employment growth, while in Column 2 and 3 it is the employment growth in the non-tradable and tradable sector respectively. In Column 4 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 5 the dependent variable is the earnings growth. In all specifications we control for county and year fixed effects as well as the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (***)=1%, (**)=5%, (*)=10%.

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Below Median Bartik Shock × UI Generosity	-0.06* (0.04)	-0.16*** (0.05)	-0.01 (0.04)	-0.27*** (0.09)	-0.07*** (0.02)
Above Median Bartik Shock × UI Generosity	-0.08*** (0.03)	-0.01 (0.07)	0.01 (0.11)	-0.19 (0.13)	-0.07 (0.06)
Below Median Bartik Shock	1.24*** (0.14)	0.64*** (0.15)	2.17*** (0.24)	2.32*** (0.31)	1.01*** (0.18)
Above Median Bartik Shock	1.27*** (0.09)	0.43*** (0.13)	1.59*** (0.27)	1.22*** (0.47)	1.42*** (0.10)
Below Median Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Above Median Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Observations	46,050	46,050	46,050	33,755	46,050
R-squared	0.08	0.02	0.01	0.04	0.10
Number of Counties	3,070	3,070	3,070	3,070	3,070

Table 13
Heterogeneity II : Unemployment Rate

The table reports coefficient estimates of regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock. We control for the lagged county unemployment rate as well as its interactions with the Bartik shock and the UI generosity. The full sample includes the period 1999-2013. In Column 1 the dependent variable is employment growth, while in Column 2 and 3 it is the employment growth in the non-tradable and tradable sector respectively. In Column 4 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 5 the dependent variable is the earnings growth. Standard errors are clustered at the state level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity × Lagged Unemployment Rate	-0.02* (0.02)	-0.05* (0.03)	0.02 (0.03)	-0.13 (0.09)	-0.03* (0.02)
Bartik Shock × UI Generosity	-0.07** (0.03)	-0.13*** (0.05)	0.02 (0.04)	-0.33*** (0.08)	-0.09*** (0.03)
Bartik Shock × Lagged Unemployment Rate	0.00 (0.02)	0.02 (0.03)	0.03 (0.04)	0.14 (0.09)	-0.09*** (0.03)
UI Generosity × Lagged Unemployment Rate	0.00 (0.00)	0.00** (0.00)	0.00 (0.00)	-0.00** (0.00)	-0.00 (0.00)
Bartik Shock	1.11*** (0.08)	0.38*** (0.08)	1.67*** (0.18)	1.58*** (0.25)	1.11*** (0.08)
Lagged Unemployment Rate	-0.01*** (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	0.01*** (0.01)	-0.01*** (0.00)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Observations	46,456	46,456	46,456	34,018	46,456
R-squared	0.08	0.02	0.01	0.03	0.07
Number of Counties	3,098	3,098	3,098	3,097	3,098

For Online Publication

Appendix

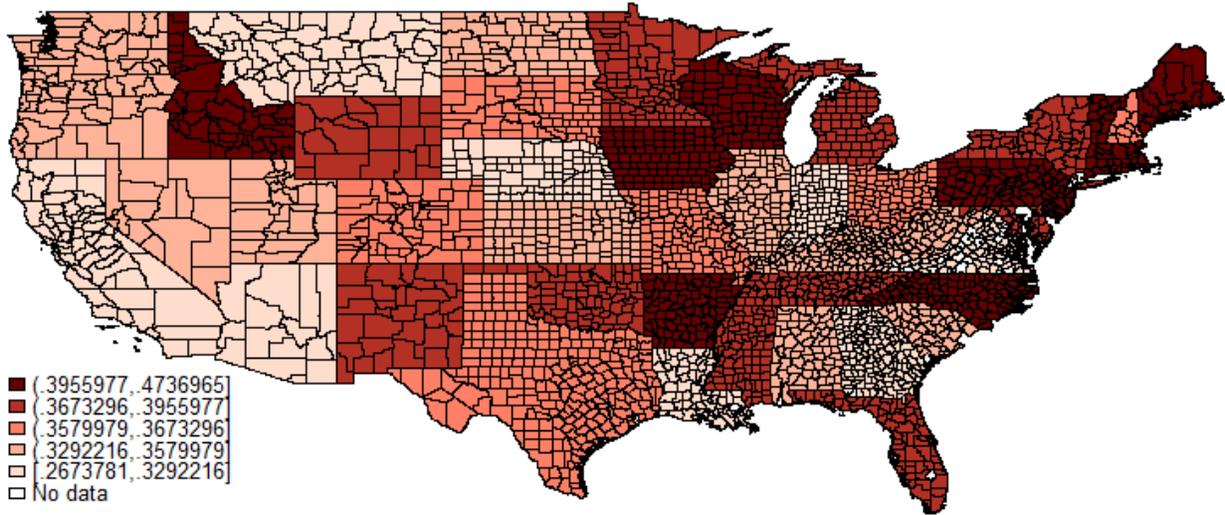


Figure 1.A UI Generosity: Replacement Ratio

This graph shows the unemployment insurance generosity in 2000, with darker states having more generous UI benefits. To measure the UI generosity we employ the Annual Social and Economic Supplement (ASEC) to the Current Population Survey (CPS). We thus calculate an empirical "income replacement ratio" as the ratio of average weekly benefits to average weekly wages. To keep the sample size for each state reasonable, we examine a five-year average over 1996-2000, which gives us the replacement ratio for those who actually receive benefits.

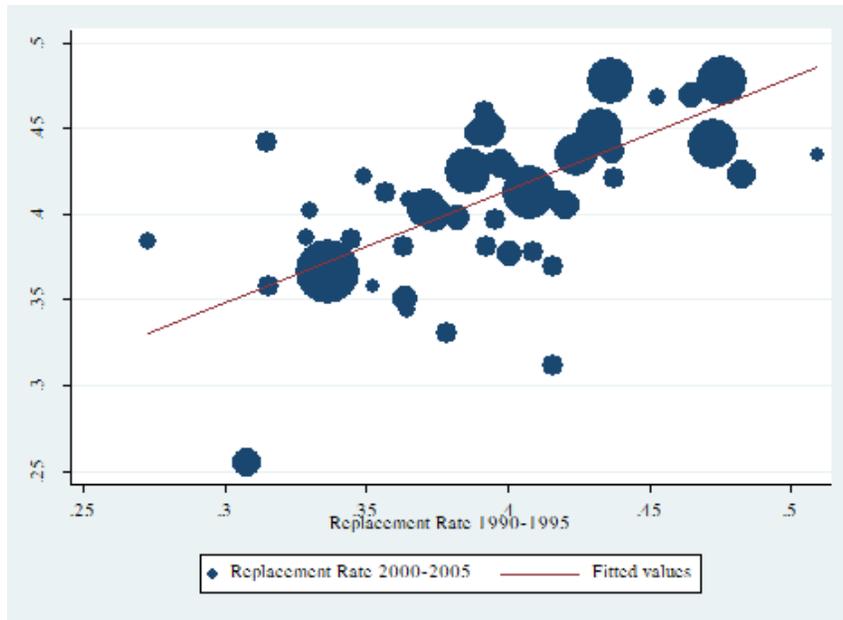


Figure 1.B Persistence of UI Generosity

This graph shows the correlation between the average replacement rate in the periods 2000-2005 and 1990-1995 for all counties weighted by population. Larger dots represent states with larger populations.

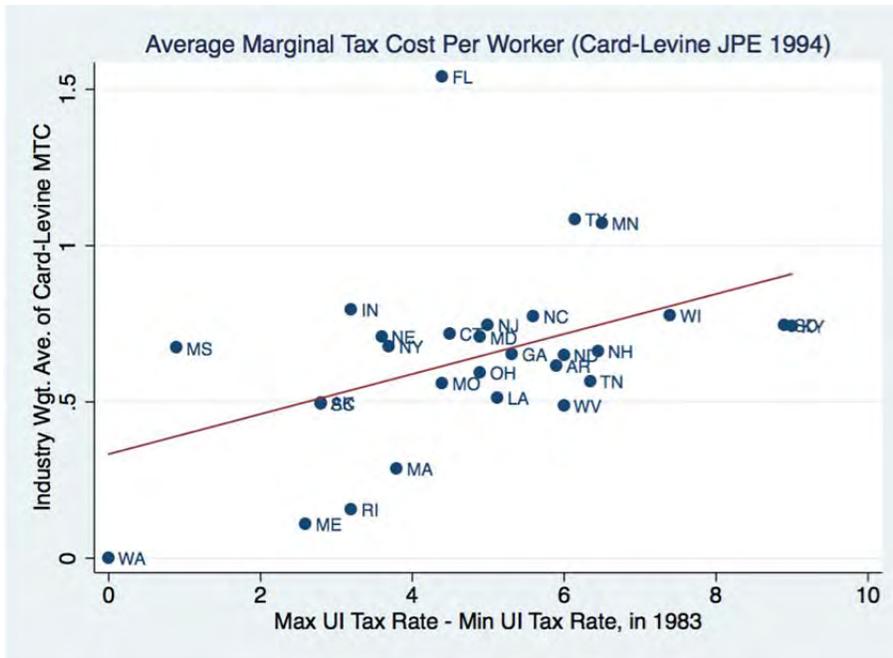


Figure 2.A Correlation between Max-Min UI Tax and Marginal Tax Cost

Figure plots the correlation between the difference between the maximum and the minimum UI tax rate and the industry weighted average marginal tax cost provided by Card and Levine (2000).

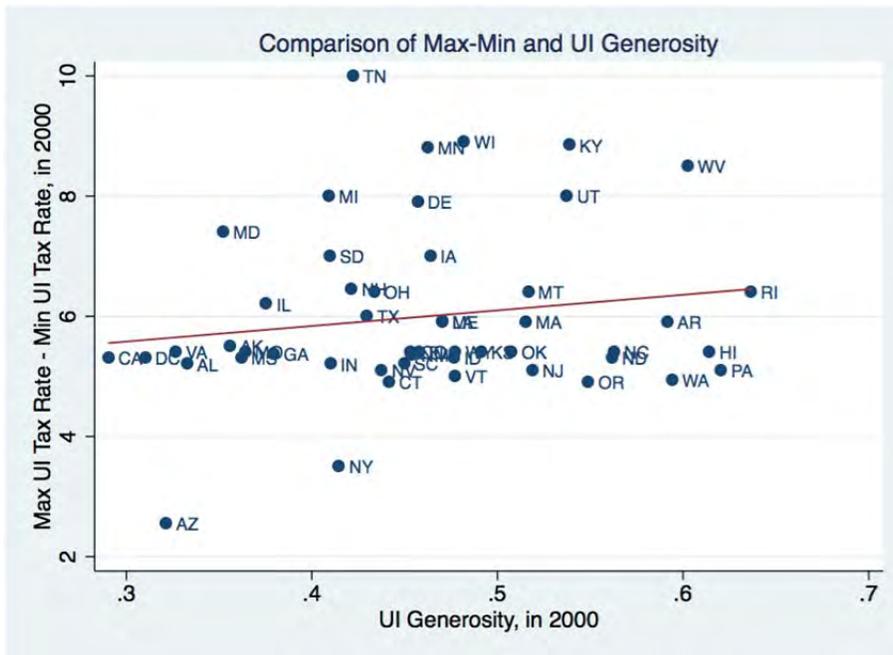


Figure 2.B UI Generosity and Max-Min UI Tax

Figure plots the correlation between the difference between the maximum and the minimum UI tax rate and the UI generosity in 2000.

Supplementary Appendix

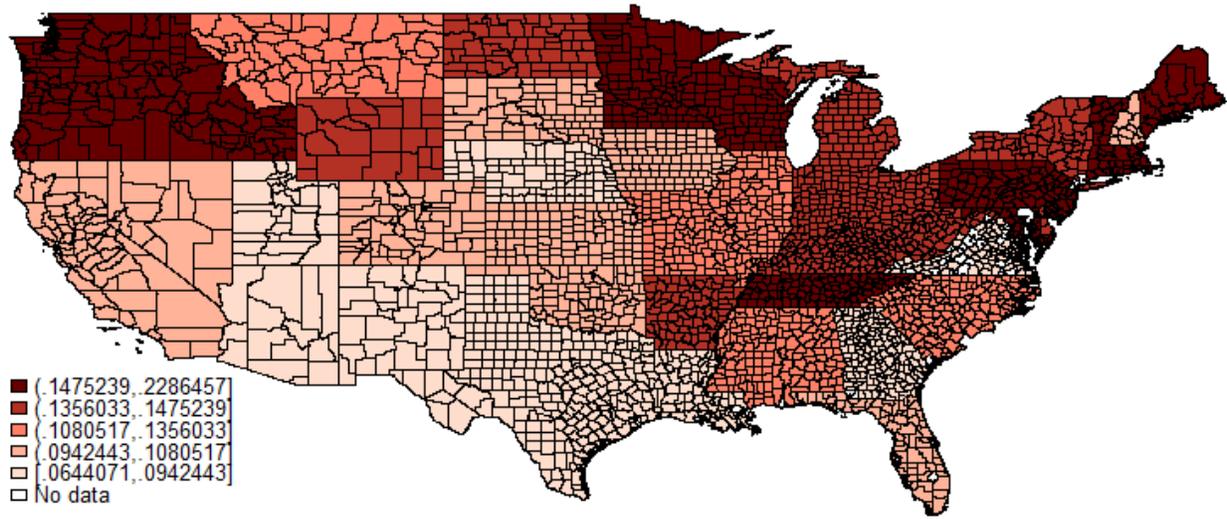


Figure SA.1 UI Generosity: Replacement Rate X Take-Up Rate

This graph shows the replacement rate times the take-up rate measure of unemployment insurance generosity, with darker regions having more generous UI benefits.

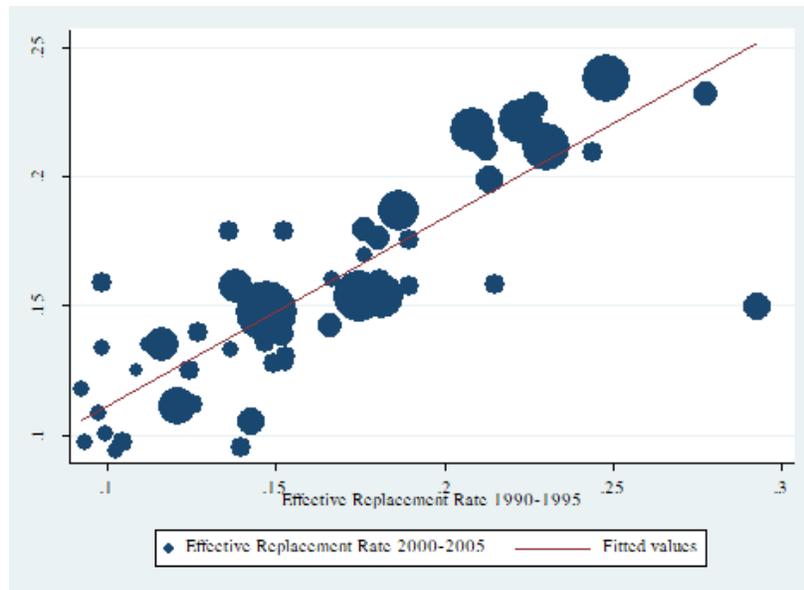


Figure SA.2 Persistence of UI Generosity

This graph shows the correlation between the average replacement rate in the periods 2000-2005 and 1990-1995 for all counties weighted by population.

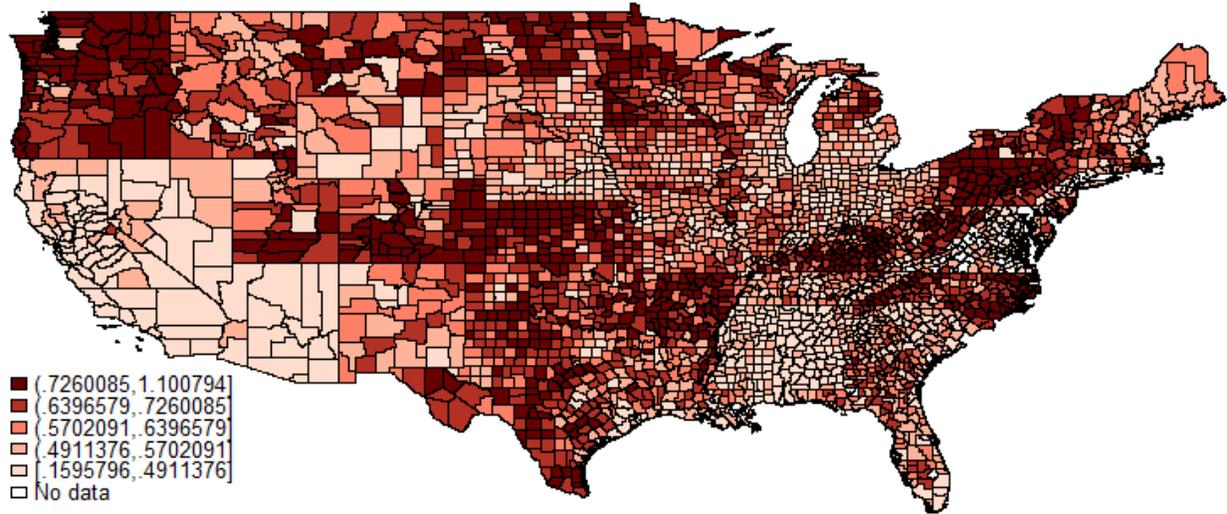


Figure SA.3 UI Generosity: Max Benefit/Average Wage

This graph shows the ratio of the maximum unemployment insurance weekly benefit and the average weekly wage as measured in 2000 for all counties, with darker regions having more generous UI benefits.

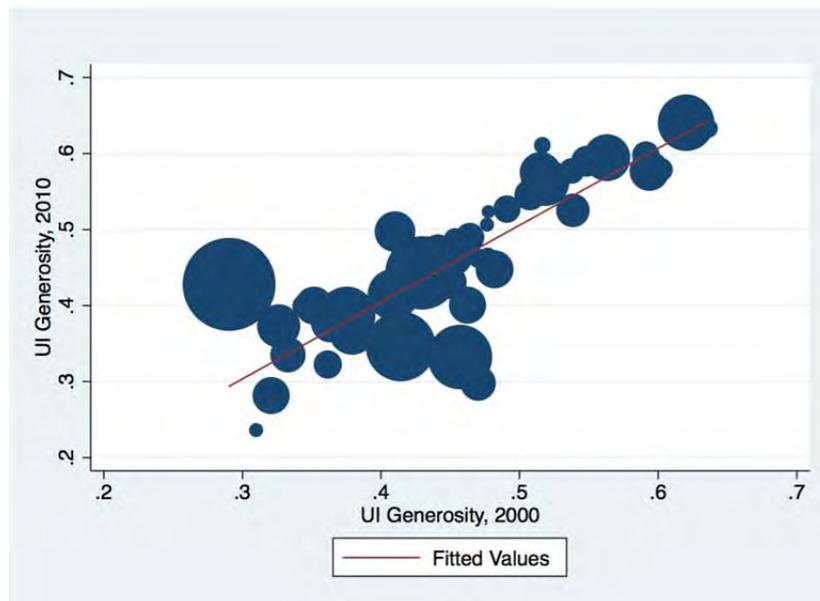


Figure SA.4 Persistence of UI Generosity

This graph shows the correlation between the unemployment insurance generosity in 2000 and in 2010 for all the counties weighted by population.

Table A.1
Summary Statistics

The table reports the summary statistics for the main variables for commuting zones. Panel A focus on the variables computed in 2000, while Panel B examines the variables over the period 1999-2013. The data on earnings growth and industrial composition is collected from the Bureau of Economic Analysis, while employment growth by industry for each county is computed using yearly data provided by the County Business Patterns (CBP). Data on average wages is provided by the BEA. R. L. Polk & Company records all new car sales in the United States and provides our measure of car sales. Democratic share unavailable at the county-level in Alaska. Alternative Bartik shock are the shocks to the sectors other than construction and non-tradable sectors.

Panel A. Static Variables in 2000

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	N	Mean	St. Dev	p1	p10	p50	p90	p99
Max Weekly Benefit	709	297.4	63.15	190.0	226.2	287.4	408.0	431.0
Number of Weeks	709	26.17	0.760	26.00	26.00	26	26.00	30.00
Replacement Rate	709	0.365	0.0380	0.301	0.307	0.367	0.414	0.440
Replacement Rate x Take-Up Rate	709	0.132	0.0391	0.0723	0.0942	0.125	0.186	0.229
Max Weekly Benefit/Average Weekly Wage	709	0.408	0.110	0.216	0.271	0.397	0.560	0.696
Share of Employees in Construction Sector	709	0.0559	0.0125	0.0246	0.0410	0.0550	0.0709	0.0980
Share of Employees in Manufacturing Sector	709	0.115	0.0543	0.0217	0.0570	0.112	0.185	0.272
Share of Employees in Services Sector	709	0.554	0.0694	0.363	0.457	0.567	0.633	0.671
Share of Employees in Government Sector	709	0.140	0.0459	0.0874	0.0998	0.123	0.205	0.311
Log of Median Income	707	10.68	0.219	10.15	10.39	10.70	10.97	11.10
Share of Self-Employed workers	709	0.169	0.0385	0.113	0.133	0.159	0.211	0.305
Share of High School graduates	709	79.80	6.082	62.33	72.13	80.60	86.29	90.33
Share of College Graduates	709	23.38	7.299	10.28	14.05	23.21	34.24	43.74
Democratic Share	693	0.485	0.101	0.246	0.357	0.482	0.602	0.702
Population	709	3.139e+06	4.180e+06	38,860	166,079	1.573e+06	8.705e+06	1.645e+07

Panel B. Dynamic Variables

Bartik Shock (1998 as base year)	10,635	-0.00247	0.0261	-0.0724	-0.0460	0.00602	0.0250	0.0326
Alternative Bartik Shock	10,635	0.00146	0.0224	-0.0647	-0.0334	0.00675	0.0241	0.0338
Employment Growth	10,623	0.00457	0.0301	-0.0790	-0.0345	0.00801	0.0363	0.0696
Employment in Non-Tradable Sector Growth	10,635	-0.0167	0.101	-0.415	-0.0561	0.00874	0.0433	0.0821
Employment in Tradable Sector Growth	10,596	-0.0214	0.0711	-0.204	-0.101	-0.0198	0.0459	0.172
Income Growth	10,635	0.0390	0.0371	-0.0649	-0.00168	0.0404	0.0793	0.127
Car Sales Growth	7,790	-0.0241	0.113	-0.306	-0.191	-0.0157	0.106	0.242
Average Wages Growth	10,635	0.0294	0.0255	-0.0338	0.00241	0.0290	0.0548	0.0975
Unemployment Growth	10,605	0.169	0.522	-0.406	-0.278	0.00816	0.858	1.992
Labor Force Growth	10,635	0.00715	0.0173	-0.0375	-0.0117	0.00720	0.0250	0.0541

Table A.2

Summary Statistics

The table reports the summary statistics for the main variables collected at the state level. Panel A focus on the variables computed in 2000, while Panel B examines the variables over the period 1999-2013. The data on earnings growth and industrial composition is collected from the Bureau of Economic Analysis, while employment growth by industry for each county is computed using yearly data provided by the County Business Patterns (CBP). Data on average wages is provided by the BEA. R. L. Polk & Company records all new car sales in the United States and provides our measure of car sales. Democratic share unavailable at the county-level in Alaska. Alternative Bartik shock are the shocks to the sectors other than construction and non-tradable sectors.

Panel A. Static Variables in 2000

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	N	Mean	St. Dev	p1	p10	p50	p90	p99
Max Weekly Benefit	51	297.3	64.86	190	230	284	408	441
Number of Weeks	51	26.17	0.824	26	26	26	26	30
Replacement Rate	51	0.364	0.0395	0.301	0.307	0.367	0.414	0.440
Replacement Rate x Take-Up Rate	51	0.132	0.0399	0.0723	0.0930	0.123	0.186	0.229
Max Weekly Benefit/Average Weekly Wage	51	0.447	0.0962	0.293	0.293	0.444	0.593	0.636
Share of Employees in Construction Sector	51	0.0568	0.00842	0.0434	0.0451	0.0531	0.0675	0.0762
Share of Employees in Manufacturing Sector	51	0.115	0.0368	0.0378	0.0608	0.106	0.164	0.191
Share of Employees in Services Sector	51	0.559	0.0438	0.458	0.499	0.550	0.618	0.636
Share of Employees in Government Sector	51	0.138	0.0221	0.111	0.121	0.133	0.167	0.210
Log of Median Income	51	10.65	0.128	10.30	10.49	10.65	10.78	10.91
Share of Self-Employed workers	51	0.168	0.0212	0.139	0.147	0.165	0.190	0.222
Share of High School graduates	51	80.37	3.797	72.86	75.65	80.61	86.02	87.95
Share of College Graduates	51	24.39	3.927	16.66	19.41	23.53	29.78	33.19
Democratic Share	51	48.27	7.381	27.60	38	48.50	56.50	60.20
Population	51	1.231e+07	9.923e+06	642,023	2.848e+06	8.431e+06	3.399e+07	3.399e+07

Panel B. Dynamic Variables

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	N	Mean	St. Dev	p1	p10	p50	p90	p99
Bartik Shock (1998 as base year)	765	0.00382	0.0232	-0.0640	-0.0279	0.0104	0.0267	0.0332
Alternative Bartik Shock	765	0.00493	0.0215	-0.0574	-0.0295	0.0117	0.0251	0.0336
Employment Growth	765	0.00633	0.0254	-0.0685	-0.0289	0.0111	0.0345	0.0562
Employment in Non-Tradable Sector Growth	765	0.00454	0.0261	-0.0701	-0.0265	0.00765	0.0349	0.0617
Employment in Tradable Sector Growth	765	-0.0239	0.0437	-0.145	-0.0872	-0.0178	0.0238	0.0629
Income Growth	765	0.0394	0.0314	-0.0586	0.00605	0.0398	0.0752	0.118
Total Consumption Growth	765	0.0450	0.0240	-0.0253	0.0239	0.0457	0.0733	0.0924
Durable Consumption Growth	765	0.0322	0.0493	-0.105	-0.0491	0.0418	0.0825	0.129
Car Sale Growth	765	0.0199	0.0693	-0.187	-0.0778	0.0346	0.0896	0.146

Table A.3
Lags of Main Variables

The table reports coefficient estimates of regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock. The full sample includes the period 1998-2013. The measure of UI generosity is the Replacement Rate. In Column 1 the dependent variable is employment growth, while in Column 2 and 3 it is the employment growth in the non-tradable and tradable sector, respectively. In Column 4 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 5 the dependent variable is the earnings growth. We also include the lagged Bartik shock, as well as the lagged dependent variable and the lagged interaction term. We also control for the interaction between the Bartik shock (as well as the lagged bartik shock) and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (***)=1%, (**)=5%, (*)=10%.

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.06** (0.03)	-0.10** (0.05)	0.01 (0.04)	-0.28*** (0.07)	-0.07*** (0.02)
Bartik Shock	1.13*** (0.08)	0.46*** (0.12)	1.86*** (0.24)	2.14*** (0.27)	0.99*** (0.08)
Lagged (Bartik Shock × UI Generosity)	-0.03* (0.01)	-0.05* (0.03)	-0.04 (0.03)	0.13 (0.08)	-0.00 (0.02)
Lagged (Bartik Shock)	0.38*** (0.09)	0.45*** (0.10)	0.36*** (0.11)	0.18 (0.36)	0.42** (0.19)
Lagged Employment Growth	-0.07*** (0.02)				
Lagged Employment in Non-Tradable Sector		-0.21*** (0.02)			
Lagged Employment in Tradable Sector			-0.17*** (0.01)		
Lagged Car Sales				-0.08* (0.04)	
Lagged Earnings Growth					-0.03 (0.04)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Lagged Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Observations	42,980	42,980	42,980	30,681	42,980
R-squared	0.09	0.07	0.04	0.05	0.09
Number of Counties	3,070	3,070	3,070	3,070	3,070

Table A.4
Alternative Measures of UI Generosity

The table reports coefficient estimates of weighted least square regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock. The full sample includes the period 1999-2013. Panel A employs the log of the maximum UI weekly benefit as proxy for the UI generosity. Panel B uses an alternative measure provided by the BLS defined as the weekly benefit amount divided by the average wage of UI recipients. In Columns 1 the dependent variable is employment growth, in Columns 2 it is employment growth in the non-tradable sector, while in Columns 3 we investigate the effect of UI and Bartik shock on the employment in the tradable sectors. In Columns 4 we analyze the effect of UI on car sales growth as provided by Polk, while in Columns 5 the dependent variable is earnings growth. In all columns we control for county and year fixed effects as well as by the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

Panel A - UI Generosity = Log(Max Weekly Benefits)

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × Log(Max Weekly Benefits)	-0.05 (0.03)	-0.09* (0.05)	0.00 (0.03)	-0.23** (0.10)	-0.06* (0.03)
Bartik Shock	1.25*** (0.08)	0.50*** (0.11)	1.83*** (0.22)	1.66*** (0.25)	1.22*** (0.08)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Observations	46,050	46,050	46,050	33,755	46,050
R-squared	0.08	0.01	0.01	0.03	0.08
Number of counties	3,070	3,070	3,070	3,070	3,070

Table A.5
Excluding the Financial Crisis

The table reports coefficient estimates of regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock. The full sample includes the period 1999-2007. In Column 1 the dependent variable is employment growth, while in Column 2 and 3 it is the employment growth in the non-tradable and tradable sector respectively. In Column 4 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 5 the dependent variable is the earnings growth. We control for the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (**=1%, ***=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.07** (0.03)	-0.11** (0.05)	-0.06 (0.07)	-0.29** (0.13)	-0.02 (0.04)
Bartik Shock	1.31*** (0.12)	0.46*** (0.15)	1.92*** (0.28)	0.99** (0.47)	1.16*** (0.11)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Observations	27,630	27,630	27,630	21,480	27,630
R-squared	0.08	0.01	0.01	0.01	0.09
Number of Counties	3,070	3,070	3,070	3,069	3,070

Table A.6
State-Specific Trends

The table reports coefficient estimates of regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock controlling for state-specific trends. The full sample includes the period 1999-2013. In Column 1 the dependent variable is employment growth, while in Column 2 and 3 it is the employment growth in the non-tradable and tradable sector respectively. In Column 4 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 5 the dependent variable is the earnings growth. We control for the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.06** (0.03)	-0.12*** (0.04)	-0.03 (0.04)	-0.30*** (0.07)	-0.07*** (0.02)
Bartik Shock	1.19*** (0.07)	0.46*** (0.11)	1.76*** (0.20)	1.60*** (0.28)	1.08*** (0.07)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
State Linear and Quadratic Trends	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Observations	46,050	46,050	46,050	33,755	46,050
R-squared	0.07	0.01	0.01	0.03	0.07
Number of fips	3,070	3,070	3,070	3,070	3,070

Table A.7

State Level Evidence (No Year FE)

The table reports coefficient estimates of weighted least square regressions relating economic activity measured at the state level to the unemployment insurance generosity, as measured by the Replacement Rate, and Bartik shock using as weights the population in 2000. In Columns 1-3 the dependent variable is employment growth, and employment growth in the non-tradable and tradable sector. Columns 4-6 distinguish between total consumption growth, durable goods and car sales. Car sales is the dollar amount spend on cars as provided by the BEA. Column 7 reports the results for income growth. The data is provided by BEA, and the full sample includes the period 1999-2013. In all columns we control for state fixed effects and the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Total Consumption Growth</i>	<i>Durable Goods Growth</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.05 (0.04)	-0.10*** (0.04)	-0.06* (0.03)	-0.03* (0.02)	-0.08** (0.04)	-0.13** (0.06)	-0.06** (0.03)
Bartik Shock	0.95*** (0.03)	0.72*** (0.03)	1.24*** (0.03)	0.75*** (0.01)	1.16*** (0.03)	0.76*** (0.05)	1.04*** (0.02)
State Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	No	No	No	No	No	No	No
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	765	765	765	765	765	765	765
R-squared	0.80	0.47	0.46	0.57	0.33	0.10	0.64
Number of States	51	51	51	51	51	51	51

Table A.8
Unweighted Regressions

The table reports coefficient estimates of unweighted regressions relating the main dependent variables to the unemployment insurance generosity measured by the replacement rate and Bartik shock. In Panel A the full sample includes the period 1999-2013 and restrict attention to counties whose population is higher than 75 thousand. Panel B reports the results for unweighted regressions at the commuting zones level for CZ with a population higher than 150 thousand. In Column 1 the dependent variable is employment growth, while in Column 2 and 3 it is the employment growth in the non-tradable and tradable sector respectively. In Column 4 we investigate the effect of UI and Bartik shock on the car sales growth measure as provided by Polk. In Column 5 the dependent variable is the earnings growth. We control for the interaction between the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	<i>Geographical Level= Counties</i>				
	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.03 (0.03)	-0.07* (0.04)	0.01 (0.05)	-0.25*** (0.07)	-0.05** (0.02)
Bartik Shock	1.26*** (0.07)	0.52*** (0.09)	1.90*** (0.28)	1.82*** (0.24)	1.23*** (0.08)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Observations	10,095	10,095	10,095	7,403	10,095
R-squared	0.08	0.01	0.02	0.04	0.10
Number of Counties	673	673	673	673	673
	<i>Geographical Level= Commuting Zones</i>				
Bartik Shock × UI Generosity	-0.01 (0.01)	-0.06*** (0.02)	-0.00 (0.03)	-0.18*** (0.06)	-0.03** (0.01)
Bartik Shock	0.86*** (0.06)	0.58*** (0.07)	1.17*** (0.20)	1.79*** (0.24)	0.96*** (0.06)
CZ Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Observations	4,530	4,530	4,530	3,322	4,530
R-squared	0.08	0.04	0.02	0.03	0.08
Number of Counties	302	302	302	302	302

Table A.9
Clustered at the County Level

The table reports coefficient estimates of weighted least square regressions relating the main dependent variables to the unemployment insurance generosity and Bartik shock using as weights the population in 2000. The full sample includes the period 1999-2013. In Columns 1 the dependent variable is employment growth, in Columns 2 it is employment growth in the non-tradable sector, while in Columns 3 we investigate the effect of UI and Bartik shock on the employment in the tradable sectors. In Columns 4 we analyze the effect of UI on car sales growth as provided by Polk, while in Columns 5 the dependent variable is earnings growth. In all columns we control for county and year fixed effects as well as the interaction of the Bartik shock and the controls. Controls include the fraction of employees in construction, manufacturing, government (which includes federal, military, state and local government), self-employed and services industries as well as the log of median income, democratic share and the fraction of individuals with high-school and college degree. Standard errors are clustered at the state level. Asterisks denote significance levels (***=1%, **=5%, *=10%).

	(1)	(2)	(3)	(4)	(5)
	<i>Employment Growth</i>	<i>Employment in Non-Tradable Sector</i>	<i>Employment in Tradable Sector</i>	<i>Car Sales</i>	<i>Earnings Growth</i>
Bartik Shock × UI Generosity	-0.06*** (0.01)	-0.12*** (0.02)	-0.01 (0.03)	-0.27*** (0.05)	-0.07*** (0.02)
Bartik Shock	1.25*** (0.06)	0.51*** (0.07)	1.82*** (0.14)	1.69*** (0.20)	1.23*** (0.06)
County Fixed Effects	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Bartik Shock × Controls	Yes	Yes	Yes	Yes	Yes
Observations	46,050	46,050	46,050	33,755	46,050
R-squared	0.08	0.02	0.01	0.03	0.08
Number of Counties	3,070	3,070	3,070	3,070	3,070

1 Technical Appendix

1.1 Construction of the Bartik Shocks

Our construction of the Bartik shock using County Business Pattern (CBP) data proceeds in five steps. A brief-description of each step is below. We calculate the shocks separately at the state, Commuting Zone (CZ) and county levels. Note: we have only tested the code up to NAICS 4-digit aggregation.

1.1.1 Step 1: Create bridges for each NAICS change

There are minor changes in NAICS codes in 2002 and 2007. This step creates an employment-weighted bridge for each NAICS cell. We download bridges from the Census.¹ The SIC-NAICS mapping will always be problematic, but the NAICS changes are relatively minor and the weighted mappings seem to work well.

There was also a change in NAICS codes in 2012, but the Census Core Statistics bridge will not be released until June 2016.²

1.1.2 Step3. Combine bridges

This step combines all the weighted bridges constructed above: NAICS1997 to NAICS 2002, and NAICS2002 to NAICS2007.

1.1.3 Step 4. Load and clean CBP data

This step loads and cleans the raw County Business Patterns (CBP) data.³

Many smaller counties and industries have employment data that are suppressed by the Census Bureau for privacy reasons. In these cases, we use the number of establishments multiplied by the midpoint of the number of employees in each size class.

¹<http://factfinder.census.gov/> (IDs: EC0700CBDG1, EC0700CBDG2, EC0200CBDG1, EC0200CBDG2).

²See here for an update: http://www.census.gov/econ/census/help/sector/core_business_statistics_series.html

³Raw CBP data are downloaded from: <http://www.census.gov/econ/cbp/download/>

If the selected level of geography is a Commuting Zone (CZ), this step also recodes county FIPS codes to their 2000 FIPS membership, for matching with the county-CZ bridge downloaded from <http://www.ers.usda.gov/data-products/commuting-zones-and-labor-market-areas.aspx>

We replace any missing Geography X Industry X Year cell with a 0.

1.1.4 Step5 - Construct Bartik Shock

This step constructs the Bartik shocks for each of the two datasets with different balance assumptions. The Bartik shock is defined as:

$$b_{i,t} = \sum_k \phi_{i,k,\tau} \times [(\nu_{-i,k,t} - \nu_{-i,k,t-1})/\nu_{-i,k,t-1}]$$

Where: $\phi_{i,k,\tau}$ is the employment share of industry k in geography i , $\nu_{-i,k,t}$ is the national employment share of industry k excluding geography i . τ is the base year, described in more detail below.

First, we construct employment growth rates by industry, leaving out employment in the geography (the term in square brackets above).

Second, we construct the industry weights using base year as 1998. We have also tried different base years going back to 1989 and the result is mainly unchanged. We also construct separate weights when we exclude non-tradable industries and construction.

Finally, we multiply the growth rates by the weights and sum over all industries in a given geography and year. We also do this separately for the non-tradable industries.

1.2 Construction of Replacement Ratio and Take-Up Rate

We calculate replacement rates for unemployment insurance and other public benefits using the Annual Social and Economic Supplement (ASEC) to the Current Population Survey (also known as the March CPS). We download the relevant variables from the Minnesota

Population Center’s Integrated Public Use Microdata Series (IPUMS-CPS).⁴ The March CPS asks households about income from unemployment insurance and labor earnings over the previous year, as well as weeks worked and weeks unemployed over the previous year.

For the sample of households who report at least one week of unemployment, we use these variables to calculate an unemployment insurance effective “take-up” rate and an effective “replacement ratio.”

We define the take-up rate as reporting positive UI benefits last year. An individual who reported positive weeks of unemployment and who reported no UI benefits last year is classified as not taking up UI. Reasons for not taking up UI include ineligibility for benefits, administrative costs (such as applying and submitting work logs), among other reasons.

The replacement ratio is defined as follows:

$$\text{replacement ratio} = (\$ \text{ UI Benefits last year} / \text{Weeks unemployed last year}) / (\$ \text{ Labor Income last year} / \text{Weeks Worked last year})$$

The numerator is the average weekly benefit amount, and the denominator is the average weekly wage. Again, the replacement rate is defined only for people who reported at least 1 week of unemployment.

We make a few sample restrictions: We restrict to people in the labor force (working or unemployed) for all weeks in the year. So that the weekly wage is well estimated, we restrict the sample to people who worked at least 6 months out of the year.

We pool samples from survey years 1997-2001 (which actually refer to calendar years 1996-2000 since the survey is retrospective) to get reasonable sample sizes at the state level and calculate the mean replacement ratio and takeup rate by state.

⁴Miriam King, Steven Ruggles, J. Trent Alexander, Sarah Flood, Katie Genadek, Matthew B. Schroeder, Brandon Trampe, and Rebecca Vick. Integrated Public Use Microdata Series, Current Population Survey: Version 3.0. [Machine-readable database]. Minneapolis, MN: Minnesota Population Center [producer and distributor], 2010.

1.3 Definition of Tradable Industries, Non-tradable Industries and Construction Sector

We follow Mian and Sufi (2015) definition of tradable and non-tradable sectors. Here we should emphasize that there will be many industries that are not classified neither as a tradable industry nor as a non-tradable.

Tradable industries are defined as any industry with the NAICS code equal to: 1132 1141 2111 2121 2122 2123 3111 3112 3113 3114 3115 3116 3117 3118 3119 3121 3122 3131 3132 3133 3335 3149 3151 3152 3159 3161 3162 3169 3221 3222 3231 3241 3251 3252 3253 3254 3255 3256 3259 3261 3262 3271 3272 3279 3311 3313 3314 3315 3322 3324 3325 3326 3327 3329 3331 3332 3333 3334 3335 3336 3339 3341 3342 3343 3344 3345 3346 3351 3352 3353 3359 3361 3362 3363 3364 3365 3366 3369 3372 3391 3399 5112.

These mainly include agriculture, mining, manufacturing and software publishers.

Non-tradable industries are any industry with the NAICS code equal to: 4451 4452 4453 4461 4471 4481 4482 4483 4511 4512 4521 4529 4531 4532 4533 4539 7221 7222 7223 7224 4411 4412 4413 4421 4422 4431.

These mainly includes retail trade and restaurants.

Finally construction is defined as any industry with NAICS code equal to: 1133 2361 2362 2371 2372 2373 2381 2382 2383 2389 3211 3212 3219 3273 3323 3371 4233 4441 4442 5311 5312 5313 5413.

APPENDIX L

Unemployment Insurance in Maryland

A Guide to Reemployment



This guide provides important information about the unemployment insurance (UI) program in Maryland. The UI program provides temporary income to individuals who are unemployed through no fault of their own, who are able and available to work, and who are actively seeking work. To learn more about the UI program, please read the contents within.

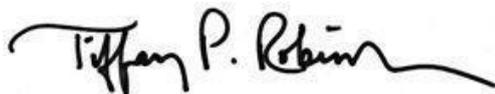
Greetings Maryland Customers,

The Maryland Department of Labor is committed to safeguarding and protecting Marylanders. We're proud to support the economic stability of the state by providing businesses, the workforce, and the public with high-quality, customer-focused regulatory, employment and training services.

To reinforce the Department of Labor's mission, the Maryland Division of Unemployment Insurance (DUI) is pleased to provide the enclosed information and ask that you read the contents of this publication to get an understanding of "**Unemployment Insurance in Maryland: A Guide to Reemployment.**" We continue to serve as a lifeline during times of uncertainty by providing temporary monetary assistance to eligible workers who become unemployed through no fault of their own and who are able to work, available for work, and are actively seeking and willing to work.

Initially established as part of the Social Security Act of 1935, the unemployment insurance program is funded primarily through state and federal payroll taxes paid by employers. These temporary benefit payments allow unemployed workers to allocate a reasonable amount of time to search for gainful employment. DUI is therefore proud to serve as a bridge to reemployment by connecting our customers immediately to a full range of Workforce Development services, including career planning and guidance, training, and employment opportunities in order to meet the needs of employers and compete, grow, and succeed in our ever-changing 21st century global economy. Customers may access these services at no charge online through the [Maryland Workforce Exchange](#). Through these resources, we pledge to foster a business-friendly environment that delivers customers responsive, timely, and quality services.

We encourage you to utilize these services and wish you the very best in your reemployment as we forge ahead to expand Maryland's labor market and change Maryland for the better!



Labor Secretary

Guide to Reemployment

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QUICK UNEMPLOYMENT INSURANCE HIGHLIGHTS

- **Filing an Initial Claim** - If you are unemployed through no fault of your own, you may be eligible for unemployment insurance (UI) benefits. You can file a claim for UI benefits online in the [BEACON 2.0](#) claimant portal or by calling a live claims agent at **(667) 207-6520**.
- **Information Needed for an Initial Claim** - To apply for UI benefits, you will need:
 - Your Social Security number;
 - Your address, telephone number, and e-mail address;
 - The name, address, telephone number, and dates of employment for each employer covering the 18 months prior to the date you file an initial claim;
 - The names, Social Security numbers, and dates of birth for any dependents you claim. Only one parent may claim a dependent at a time, so you also need the other parent's name, Social Security number, and birth date;
 - Your alien registration number and expiration date, if you are not a U.S. citizen or national;
 - Your employment start and end dates. If applicable, your return-to-work date;
 - The reason you became separated from each employer;
 - A SF-8 or SF-50 form, if you worked for the federal government;
 - Form DD-214, Member 4 Copy, if you were in military service;
 - Your union name and local number, if you are a union member;
 - If you file for Pandemic Unemployment Assistance (PUA) benefits, you will need to provide proof of your employment or self-employment, or your planned commencement of employment or self-employment. You also will need to provide proof of your net income in order to receive greater than the minimum weekly benefit amount (\$176 per week); and,
 - If you file for Mixed Earner Unemployment Compensation (MEUC) benefits, you will need to provide proof that you earned at least \$5,000 in net self-employment income in the tax year prior to the effective date of your benefit claim.
- **Working Outside Maryland** - You must file your UI claim where you worked, not where you reside. If all of your work in the last 18 months was in a state other than Maryland, you must file your claim with that state. The laws of the state where you file govern your claim. If you worked in Maryland and in another state in the last 18 months, please visit [BEACON 2.0](#) to file your claim. Ensure you add all out-of-state employment when you file a claim.

- **Earned Wages in More than One State** - If you worked in more than one state and qualify for UI benefits in either state, you may only file in one state at a time. If you choose to file in Maryland, you must wait until you have exhausted all benefits from another state. It is illegal to obtain UI benefits from multiple states at the same time.
- **Filing Weekly Claim Certifications** - You must file a weekly claim certification for each week that you are requesting UI benefit payments. The claim certification is a legal document which includes questions to certify your ongoing eligibility for UI benefits. Review questions carefully and respond accurately. Since the questions pertain to an entire week (from Sunday to Saturday), you must wait until that week ends to file your claim certification. For DUI purposes, the benefit week runs from Sunday through Saturday. For example, the week ending Saturday, September 4, 2021, refers to a benefit week running from Sunday, August 29, 2021, to Saturday, September 4, 2021. You may file your claim certification from Sunday at 12:01 a.m. to Saturday at 11:59 p.m., immediately following the week for which you are requesting payment. When you successfully submit your claim certification, you will receive a confirmation number. You should keep a copy of this confirmation number for your records.
- **Reporting Earnings** - If you work during a week for which you claim benefits, you must report all earnings for any work, including paid training, temporary or part-time work, and self-employment. Wages, including tips, must be reported in the week that the money is earned, not the week it was actually paid. **Commission payments** must be reported *in the week that they are paid* to you. All wages reported must be gross wages, meaning wages earned before any taxes or deductions are taken out. All income from self-employment must be reported as net income, meaning after expenses, interest, and taxes are deducted.

NOTE: If you earn income and do not report it, you are committing fraud. Any benefits received due to fraud must be repaid with penalties and interest. If you are found guilty of fraud, you may be denied UI benefits for at least one year, and may face criminal charges, fines, and/or imprisonment.

- **Reopen Claim** - If you become fully reemployed and then become unemployed again, you will need to reopen your claim. You can reopen your claim by selecting "Reopen Claim" in your BEACON portal or by calling a claims agent. You cannot reopen your claim using the MD Unemployment for Claimants mobile app.
- **Benefit Payment/VISA Debit Card** - If you are eligible to receive UI benefits, you can choose to receive benefit payments by debit card or paper check. To receive

your benefit payments by having a paper check mailed to your address, change your payment method in your [BEACON 2.0 portal](#) or call a claims agent at 667-207-6520. To make benefit payments more securely and quickly, DUI issues payments via the Maryland Unemployment Insurance Benefits debit card. The Visa® debit card is issued through Bank of America, and there is no activation fee or transaction cost. Visit the Maryland UI debit card web page on the [Bank of America website](#) for additional information. If you were issued a Maryland UI debit card and cannot locate it, or to report unauthorized use of your debit card, contact Bank of America at **1-855-847-2029**.

- **COVID-19 Work Search Exemption** - Due to COVID-19, the Maryland Secretary of Labor granted all claimants an exemption from the normal requirement to actively search for work each week. **You are exempt from the requirement to actively search for work until 30 days after the state of emergency is lifted in Maryland.** However, you must still file a claim certification each week you are unemployed in order to receive your benefit payments.
- **Reemployment Requirement** - The Maryland Department of Labor Division of Workforce Development & Adult Learning (DWDAL) may select you for a Reemployment Service (RESEA) workshop. **During COVID-19, the RESEA workshop is conducted *virtually or over the phone* with a reemployment professional.** If you receive a notice from an American Job Center requesting your attendance in a workshop, **you are required to attend.** You may receive a notice via mail, in your Maryland Workforce Exchange system inbox, a phone call/voicemail, or text message. If you have a scheduling conflict, you must notify the American Job Center staff at least 24 hours prior to the appointment. Failure to complete the entire workshop, or failure to notify the American Job Center staff in advance if you need to reschedule, may result in a delay or denial of your benefits. In the workshop, a professional will work with you to develop an individualized reemployment plan. You are not required to implement the plan until after the COVID-19 state of emergency is lifted in Maryland.
- **Maryland Workforce Exchange (MWE)** - All claimants are **required to register with the MWE**, which they can do online on the [MWE website](#). We strongly encourage you to develop your skills and position yourself to be rehired by completing approved reemployment activities on the [MWE website](#). You can create a resume, complete a self-assessment, conduct labor market research, set up job opportunity alerts, and track your completed reemployment activities.
- **UI Correspondence** - Important notices about your UI benefits are delivered to your [BEACON 2.0 claimant portal](#). **We recommend that you choose either e-mail or text message as your preferred method of communication so that you can receive immediate alerts about activity on your claim.** Please check your portal

regularly and read all correspondence that the DUI sends to you, which may include eligibility determination notices and scheduling of required appointments. If you disagree with a determination, you may appeal it in writing, which must include an explanation of the reasons that you feel the determination was made in error. If you have an appointment, make sure that you are available or follow the instructions provided in order to reschedule.

- **Change of Address** - If your address changes while you are filing for UI benefits, you must notify DUI immediately. If you do not notify DUI as soon as possible, correspondences may go to your former address, which may cause a delay or denial of your benefits. You can change your address in your [BEACON 2.0 portal](#), through the MD Unemployment for Claimants mobile app, or by calling a claims agent. Be prepared to verify your identity for the representative. If you move from Maryland to another state or U.S. territory (Puerto Rico, the Virgin Islands, Samoa, Guam, or the Northern Mariana Islands) and continue to file for UI benefits, you must follow Maryland UI laws and regulations. You are ineligible for Maryland UI benefits if you move to another country.
- **Fraud Prevention** - Do you know someone who is collecting UI benefits while working full or part-time and not reporting wages, incarcerated, out of town, or unable to work? **Call the FRAUD HOTLINE at (800) 492-6804, Monday to Friday, between 8 a.m. and 4 p.m.**

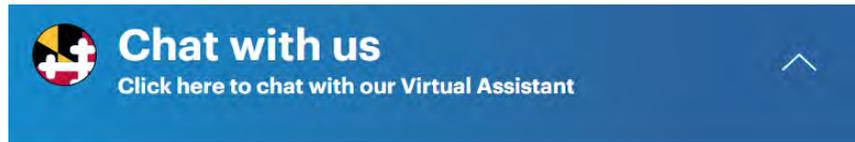
CONTACT INFORMATION

Claims agents are available Monday to Friday, 7 a.m. to 6 p.m., Saturday, 8 a.m. to 12 p.m., and Sunday, 12 p.m. to 4 p.m., at **(667) 207-6520**. You can also contact DUI via:

- DUI's online [inquiry form](#).
- IVR at **(410) 949-0022** to file a weekly claim certification.
- Maryland Relay at **711**.
- TTY at **1-800-735-2258**.
- SOLICITUD DE BENEFICIOS DEL DESEMPLEO PARA LA POBLACIÓN DE HABLE HISPANA **301-313-8000**. Para Relevos en Maryland presione **1-800-877-1264** (U.S.).
- Speech to Speech at **1-800-785-5630**.

VIRTUAL ASSISTANT

You may use our [virtual assistant](#) to receive information about unemployment insurance (UI) benefits in Maryland. **Select the blue “Chat With Us” tab** at the lower right hand corner of the DUI website to ask a question.



REQUIREMENTS UPON FILING AN UNEMPLOYMENT INSURANCE CLAIM

Due to the COVID-19 pandemic state of emergency proclaimed by the Governor of Maryland and the labor conditions across the State of Maryland, the **Maryland Department of Labor (Labor) relaxed some of the normal requirements for claimants to be eligible for unemployment insurance (UI) benefits.**

NOTE: Claimants are required to register with the Maryland Workforce Exchange (MWE). Visit the [MWE website](#) and select “Register” to complete your registration.

The requirements for claimants are listed below:

- **File Your Weekly Claim Certification** - It is your responsibility to file your weekly claim certification online or by phone on a timely basis for each week that you are requesting benefit payments. Claimants can file weekly claim certifications from Sunday at 12:01 a.m. to Saturday at 11:59 p.m. You may file your first claim certification the week after the date in which you filed your initial application for UI benefits. For example, if you filed your initial application on Wednesday, March 24, you can file your first claim for benefits between Sunday, March 28, and Saturday, April 3.

Claimants must file claim certifications every week. The information requested during the claim certification filing process pertains to the prior week. For example, if you file your claim certification on Wednesday, March 24, you are requesting benefit payments for the UI week beginning on Sunday, March 14, and ending on Saturday, March 20. You will provide information for the week beginning March 14 and ending on March 20. If you do not file your weekly claim certifications in a timely manner, your benefits may be denied. If you worked during a week in which you are requesting benefits, including temporary and part-time work, you **MUST REPORT ALL GROSS EARNINGS** (before

deductions) FOR EACH WEEK THAT YOU WORK even if you were not paid for the work yet. If you earn more than your benefit amount in a week, you are not considered to be unemployed, and DUI will close your claim. If you subsequently earn less than your weekly benefit amount in a week, then you will be considered totally or partially unemployed again. If you become totally or partially unemployed again, you must reopen your claim to reestablish your eligibility for benefits, which you can do in [BEACON 2.0](#).

IF YOU DO NOT REPORT YOUR INCOME, YOU ARE COMMITTING FRAUD. Penalties could include a yearlong denial of UI benefits, criminal charges, fines and imprisonment, as well as repayment of any illegally-obtained money with interest.

- **Able To Work and Available For Work** - When you file an initial claim for UI benefits, you must be available for work without restrictions. You must remain able, available, and actively seeking work for each week that you file a weekly claim certification to request benefit payments.

If you are not working due to COVID-19, you are considered able and available for work as long as you:

- 1. take all necessary steps to return to your regular employer; and,**
- 2. do not refuse an offer of suitable employment.**

In that circumstance (if you are not working due to COVID-19, but take all suitable steps to return to your regular employer and do not refuse an offer of suitable employment), you should state that you are able and available for work when you file an initial claim and when you file your weekly claim certification.

YOU MUST BE ABLE AND AVAILABLE FOR WORK, EVEN IF YOU ARE EXEMPT FROM THE REQUIREMENT TO ACTIVELY SEEK WORK (see the Actively Seeking Work section on the next page). During the COVID-19 pandemic, claimants are temporarily exempt from the requirement to actively search for work until 30 days after the state of emergency is lifted in Maryland.

However, **even if you are exempt from actively seeking work, you should maintain regular contact with your previous employer(s)** to see if any work is available or to see if your employer(s) wants you to return to work. It is important to maintain regular contact because when you file your weekly claim certification you will be asked the following question; “have you maintained contact with your last employer or customers to determine if work was available during the week listed above?”

- **Actively Seeking Work** - Under normal circumstances, claimants must actively search for work during each week that they request benefit payments. However, due to the COVID-19 state of emergency in Maryland, **all claimants are exempt from the requirement to actively search for work until 30 days after the state of emergency is lifted.** When you file your weekly claim certification, you will be asked whether you searched for work. Please respond accurately. **However, because of the exemption, even if you answer “no,” you will receive benefits.**

Although you are exempt from the work search requirement, you may be selected for a federally-required reemployment workshop with a workforce professional. During the COVID-19 pandemic, the workshops are virtual. If you receive a notice from an American Job Center requiring your attendance in a workshop, **you are required to report.** You may receive notices via mail, your Maryland Workforce Exchange (MWE) inbox, a phone call/voicemail, or text message.

If you are unable to report for your scheduled time, you must notify the American Job Center staff at least 24 hours before the appointment. **UI benefits may be delayed or denied** for failure to report or failure to notify the American Job Center staff in advance.

The professional will work with you to develop an individualized reemployment plan. You will not be required to implement the plan until after the state of emergency is lifted. We strongly encourage you to complete any of the reemployment activities which can be done online with the [Maryland Workforce Exchange](#).

NOTE: Special circumstances regarding being able and available for work and actively seeking work are listed below.

Union - If you are in a union with a hiring hall, you must make regular contact in the manner prescribed by your union.

Jury Duty - If you are called to jury duty, for each day you serve as a juror you are not required to be able and available to work or to actively search for work. If you are selected for a trial that lasts more than one day and the court does not require you to physically report to the courthouse, then you must actively search for work and be able and available for work during that period.

IMPORTANT INFORMATION ABOUT COVID-19 UNEMPLOYMENT INSURANCE PROGRAMS

The **American Rescue Plan Act of 2021** (ARPA) was signed into law on March 11, 2021. ARPA extended several programs that were created by the **Coronavirus Aid, Relief, and Economic Security (CARES) Act** (signed into law on March 27, 2020) and extended by the Continued Assistance for Unemployed Workers (CAUW) Act (signed into law on December 27, 2020). Under ARPA, these programs are in effect in Maryland until the week ending **September 4, 2021**. The CAUW Act also created a new program for individuals with a mix of covered employment and self-employment. The following unemployment insurance (UI) programs provide aid to those affected by the pandemic:

1. Pandemic Unemployment Assistance (PUA);
2. Pandemic Emergency Unemployment Compensation (PEUC);
3. Federal Pandemic Unemployment Compensation (FPUC); and,
4. Mixed Earner Unemployment Compensation (MEUC).



Pandemic Unemployment Assistance (PUA)

This program is effective in Maryland from February 2, 2020, until the week ending September 4, 2021. PUA provides benefits to covered individuals who are not eligible for regular UI benefits (including individuals who exhausted their benefits under those programs) and who are unemployed due to a COVID-19 related reason. PUA is available to individuals who are self-employed, independent contractors, gig-economy workers, and those without sufficient work history.

Claimants may receive PUA for a total of up to 79 weeks, if a claimant qualified for PUA beginning at the start of the program. This total includes any weeks of PUA, regular UI benefits, and/or Extended Benefits that an individual has already received. Through ARPA, eligible claimants can receive up to an additional 29 weeks of PUA from the weeks ending March 20, 2021, to September 4, 2021.

NOTE: Under ARPA, a claimant may receive up to an additional 29 weeks of PUA or PEUC under the extension. However, there are only 25 weeks of benefits available during the extended program dates (weeks ending March 20, 2021, to September 4, 2021). As a result, claimants may not exhaust their benefits before the programs expire.

PUA is available for 39 weeks from February 2, 2020, to the week ending December 26, 2020, and for another 11 weeks from the weeks ending January 2, 2021, to March 13, 2021. No PUA benefits will be paid for a week of unemployment after September 4, 2021, even if you have a remaining balance.

To qualify for PUA, claimants are required to upload documentation to prove that they were employed, self-employed, or planned to start employment or self-employment. Claimants who received PUA benefits before January 31, 2021, have 90 days to submit this documentation. Claimants who apply for PUA after January 31, 2021, have 21 days to submit this documentation. A link to upload this documentation will appear as an Action Item in a claimant's BEACON 2.0 portal.

Acceptable documentation includes, but is not limited to:

1. Documentation of the income you earned in the applicable calendar year (Schedule K-1, Form 1099, or summary of quarterly payments);
2. Wage records;
3. Paycheck stubs;
4. Bank receipts;
5. Business records or ledgers;
6. Contracts; and,
7. Billing statements and invoices.

PUA provides benefits to qualifying individuals who are otherwise able to work and available for work, except that they are unemployed, partially unemployed, or unable or unavailable to work due to one of the following COVID-19-related reasons:

- You have been diagnosed with or are experiencing symptoms of COVID-19 and are seeking a medical diagnosis;
- A member of your household has been diagnosed with COVID-19;
- You are providing care for a family member or a member of your household who has been diagnosed with COVID-19;
- Your child or another person in the household that you have primary caregiving responsibility for is unable to attend school or another facility that is closed due to the COVID-19 pandemic, and that school or facility care is required for you to work;
- You are unable to reach your place of employment because of a quarantine or stay-at-home order due to the COVID-19 pandemic;
- You are unable to reach your place of employment because you have been advised by a health care provider to self-quarantine due to concerns related to COVID-19;

- You were scheduled to start a new job and do not have an existing job or are unable to reach the job as a direct result of the COVID-19 pandemic;
- You have become the breadwinner/major supporter for a household because the head of your household has died as a direct result of COVID-19;
- You had to quit your job as a direct result of COVID-19;
- Your place of employment is closed as a direct result of the COVID-19 pandemic;
- You worked as an independent contractor with reportable income and COVID-19 has severely limited your ability to continue performing your work activities and/or has forced you to suspend such activities for one of the above COVID-19 reasons;

- You were denied continued unemployment benefits because you refused to return to work or accept an offer of work at a worksite that is not in compliance with local, state, or national COVID-19 health and safety standards (such as wearing face masks, physical distancing measures, or using personal protective equipment consistent with public health guidelines);
- You provide services to an educational institution/educational service agency and you are unemployed or partially unemployed because of volatility in the work schedule caused by COVID-19 (including changes in schedules and partial closures); and,
- You were laid off, either temporarily or permanently, or your hours were reduced, as a direct result of COVID-19.
- None of the above apply to me.

Pandemic Emergency Unemployment Compensation (PEUC)

PEUC is effective in Maryland from March 29, 2020, through the week ending September 4, 2021. Under PEUC, claimants who exhaust their 26 weeks of regular UI benefits can receive 29 weeks of additional benefits from the weeks ending March 20, 2021, to September 4, 2021. PEUC provides a maximum of 53 additional weeks of benefits for claimants, if a claimant qualified for PEUC beginning at the start of the program. PEUC is available: for 13 weeks for the weeks ending April 4, 2020, to December 26, 2020; for 11 weeks for the weeks ending January 2, 2021, to March 13, 2021; and for 29 weeks for the weeks ending March 20, 2021, to September 4, 2021. PEUC benefits are not payable after September 4, 2021, even if you have a remaining balance at that time. PEUC covers individuals who:

1. Exhausted all rights to regular UI benefits under state or federal law for a benefit year ending after July 1, 2019; and,
2. Meet the eligibility requirements for regular UI benefits.

Federal Pandemic Unemployment Compensation (FPUC)

FPUC is effective in Maryland from the weeks ending January 2, 2021, to September 4, 2021. FPUC was previously effective from March 29, 2020, to the week ending July 25, 2020. The CAUW Act renewed FPUC, and it was effective from the weeks ending January 2, 2021, to March 13, 2021, before it was extended again under ARPA. Under the CAUW Act and during the extended program dates (weeks ending March 20, 2021, to September 4, 2021), qualifying claimants will receive \$300 per week in federal benefits, in addition to their weekly benefit amount. Qualifying claimants will receive FPUC automatically and do not need to file an additional application to receive FPUC. To qualify for FPUC, claimants must be receiving at least \$1 in benefits under another qualifying unemployment insurance program. **These qualifying UI programs include:**

1. Regular Unemployment Insurance (Regular UI);
2. Unemployment Compensation for Federal Employees (UCFE);
3. Unemployment Compensation for Ex-Servicemembers (UCX);
4. Pandemic Emergency Unemployment Compensation (PEUC);
5. Pandemic Unemployment Assistance (PUA);
6. Extended Benefits (EB);
7. Short-Time Compensation (STC) (called Work Sharing in Maryland); and,
8. Trade Readjustment Allowances (TRA).

Mixed Earner Unemployment Compensation (MEUC)

The Mixed Earner Unemployment Compensation (MEUC) program is effective in Maryland for the weeks ending January 2, 2021, to September 4, 2021. MEUC provides eligible individuals with \$100 per week, in addition to their weekly benefit amounts. To qualify for MEUC, the claimant must have earned both employment wages and at least \$5,000 in net earnings from self-employment in the taxable year prior to the date the claimant filed the initial application for benefits.

To receive MEUC, a claimant must also receive benefits under another qualifying UI program. **Claimants receiving PUA are ineligible for MEUC.** MEUC is payable to individuals receiving one of the following UI benefits:

1. Regular Unemployment Insurance (Regular UI);
2. Unemployment Compensation for Federal Employees (UCFE);
3. Unemployment Compensation for Ex-Servicemembers (UCX);
4. Pandemic Emergency Unemployment Compensation (PEUC);
5. Extended Benefits (EB);
6. Short-Time Compensation (STC) (called Work Sharing in Maryland); and,
7. Trade Readjustment Allowances (TRA).

Claimants must substantiate their self-employment income to receive MEUC benefits.

To substantiate a claimant's self-employment income, a claimant must provide a copy of the income tax return for the most recent taxable year ending prior to the application for UI benefits. However, if the tax return for the most recent taxable year is not yet available, claimants can submit check stubs, bank receipts, business records, ledgers, contracts, invoices, and billing statements. Claimants can upload this documentation in BEACON 2.0. No MEUC benefit payments will be issued to an applicant until their self-employment income documentation is received, reviewed, and approved by DUI.

Federal Tax Waiver

For the 2020 tax year, the American Rescue Plan Act of 2021 (ARPA) **waives federal taxes** on UI benefits (up to \$10,200 for individuals and up to \$20,400 for married couples filing jointly, if each spouse collected UI benefits) for households with an adjusted gross income of less than \$150,000.

State and Local Tax Waiver

The RELIEF Act **waives local and state income** taxes on UI benefits for the **2020 and 2021 tax years**.

Available to taxpayers with the following filing status:

- Single;**
- Married;**
- Married filing separately; and,**
- Dependent.**

Taxpayers must have a Federal Adjusted Gross Income (FAGI) of less than \$75,000, and filers with married filing joint, head of household, or surviving spouse status with a FAGI of less than \$100,000.

If you have questions about your state taxes, please visit the [Comptroller of Maryland's website](#). For questions about the Unemployment Insurance Income Tax Subtraction, contact the Comptroller's Taxpayer Services Division at taxhelp@marylandtaxes.gov or at 1-833-345-0787.

BEACON 2.0 SYSTEM





What Information do I Need?	Maryland's BEACON Unemployment Insurance Application
Information for Claimants	Welcome to the Maryland Division of Unemployment Insurance BEACON System. Using a single application, you will be able to file a claim for many unemployment benefit programs, including regular Unemployment Insurance (UI), Pandemic Unemployment Assistance (PUA), and Pandemic Emergency Unemployment Compensation (PEUC). You can also use this site to request your benefit payments each week by filing a claim certification.
BEACON 2.0 Claimant User	
Contact Us	
If you are using Google Translate	<p>The American Rescue Plan Act (ARPA) was signed into law on Thursday, March 11, 2021 and extended the temporary federal PUA, PEUC, FPUC, and MEUC unemployment insurance programs until the week ending Saturday, September 4, 2021 in Maryland.</p> <p>As a result of this extension, you may be eligible for additional unemployment insurance benefits. Visit MDUnemployment.com for additional benefit details.</p>

In September 2020, the Maryland Department of Labor replaced its decades-old system, the Maryland Automated Benefits System (MABS), with a fully modernized

system known as [BEACON 2.0](#). BEACON 2.0 integrates benefits, appeals, and contributions functionalities.

NOTE: Claimants *must* create an account in BEACON 2.0 to use the system. If you previously created an account in BEACON One-Stop, the same username and password will work in BEACON 2.0.

In BEACON 2.0, you can:

1. Access your unemployment insurance (UI) claim 24 hours per day/7 days per week;
2. File weekly claim certifications;
3. Receive updates about your claim status, including up-to-date information about your eligibility for benefits;
4. Receive correspondence and other information;
5. Review benefit payment history;
6. Update account details (name, address, e-mail, communication preference, tax withholding);
7. File initial claims for all program types:
 - Regular Unemployment Insurance (Regular UI);
 - Unemployment Compensation for Federal Employees (UCFE);
 - Unemployment Compensation for Ex-Servicemembers (UCX);
 - Pandemic Unemployment Assistance (PUA);
 - Pandemic Emergency Unemployment Compensation (PEUC);
 - Extended Benefits (EB);
 - Short-Time Compensation (STC) (called Work Sharing in Maryland); and,
 - Trade Readjustment Allowances (TRA).
8. Respond to fact-finding requests (as required) for additional information;
9. Submit supporting documents for adjudication or appeals;
10. File appeals;
11. Track and pay overpayments; and,
12. Maintain your portal account information.

After you log in to [BEACON 2.0](#), you are taken to your user portal. In this portal, you can receive notices and alerts about your account, including eligibility status and notifications regarding any missing documentation.

- You can select your preferred method of communication, including e-mail, text message, or postal mail, in the portal.

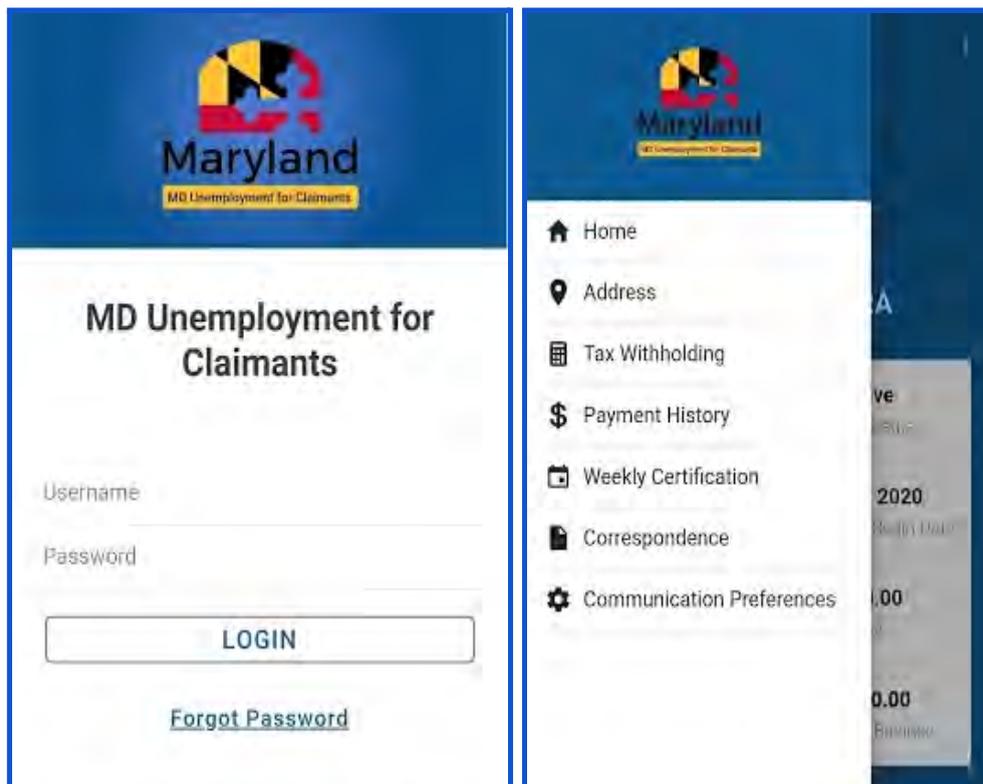
- After reviewing your application, DUI will notify you of your eligibility through the portal and/or your preferred method of communication.
- If you are eligible for benefits, you need to visit BEACON 2.0 each week to request the payment of benefits by selecting “File a Weekly Claim Certification.”

BEACON 2.0 Resources: To learn more about BEACON and how to navigate the system, see the [Claimant Portal User Guide](#) and [Glossary](#).

MOBILE APP FOR CLAIMANTS

DUI created a mobile app, **MD Unemployment for Claimants**, which you can use to:

1. Check your eligibility status;
2. Update profile information; and,
3. File weekly claim certifications.



Claimants can download the app from the [iOS App Store](#) or from the [Google Play Store](#).

NOTE: Claimants must have an account in BEACON 2.0 before they can access features through the mobile app. To create an account, visit the [BEACON 2.0 claimant portal](#) login web page, select “Get Started With BEACON,” and follow the prompts.

FILING FOR BENEFITS IS A TWO-STEP PROCESS

Step 1: File an initial claim to begin the unemployment insurance (UI) process in [BEACON 2.0](#). Claims are effective on the Sunday of the week during which the initial claim is filed. For example, if you file a claim on Wednesday, March 4, the claim’s effective date is Sunday, March 1.

Step 2: After you file your initial Maryland claim, you must file a weekly claim certification for each week that you are unemployed in order to request UI benefit payments. If you do not file a weekly claim certification for a designated week, you will not receive benefit payments for that week. You may file your claim certification online, through the mobile app, or by phone.

- To file your weekly certification online, log in to your [BEACON](#) portal and select “File a Weekly Claim Certification.” Proceed by following the instructions on the screen.
- To file by phone or if you need special accommodations, call to speak with a claims agent at **(667) 207-6520** (Maryland Relay dial 711). Live claims agents are available Monday to Friday, 7 a.m. to 6 p.m.; Saturday from 8 a.m. to 12 p.m.; and on Sunday from 12 p.m. to 4 p.m.

HOW TO FILE YOUR WEEKLY CLAIM CERTIFICATION

The weekly claim certification includes questions that you must answer truthfully to certify your ongoing eligibility for benefits. It is a legal document. Since the questions pertain to an entire week (from Sunday to Saturday), you must wait until the week ends to file your claim certification. After the week is finished, you have from Sunday at 12:01 a.m. until Saturday at 11:59 p.m. to file your claim certification. You may submit past due weekly claim certifications up to 60 days after the original due date.

NOTE: DUI takes several precautionary measures to ensure the validity of your UI claim. These measures were established to prevent, detect, and recover fraudulent payments, and to ensure that only eligible claimants receive benefits.

UI FRAUD NOTE: Under Maryland UI law, it is a criminal offense to knowingly fail to disclose facts or make false statements or representations to receive or increase benefit payments. The penalties for UI fraud may include repaying all unlawfully received benefits, plus penalties and interest, a \$1,000 fine, imprisonment, and disqualification from receiving UI benefits (for a minimum of 1 year) while you owe repayment.

The weekly claim certification questions include:

1. Did you work either full-time or part-time during the week?

If you perform any work, you need to report your earnings (before deductions) on your weekly claim certification, even if you did not receive payment for the work yet. If you do not report your earnings on the weekly claim certification, you will have to repay any UI benefits that you are overpaid. The weekly claim certification asks for information pertaining to the previous week. For example, if you file your claim certification on Wednesday, March 24, you are requesting benefit payments for the UI week beginning on Sunday, March 14, and ending on Saturday, March 20. You would report any wages that you earned between March 14 and March 20 on your claim certification.

2. Did you receive any commission pay during the week?

Commission payments are considered earnings. However, commission pay must be reported for the week that the commission is paid, instead of the week it is earned.

3. Did you engage in any self-employment work during this week?

If you engage in self-employment during a week, you need to report your net earnings on your claim certification for that week. Net earnings are earnings after deductions, such as taxes, expenses, and cost of goods sold.

4. Did you refuse an offer of work or paid telework during the week?

If you refuse a job offer or an offer of paid telework, you may be disqualified from receiving UI benefit payments for 5 - 10 weeks.

5. During the week listed above, did you receive any of the following:

a. Unemployment compensation from either: any state other than Maryland; or under Canadian law?

b. Any paid sick leave or paid leave benefits?

Answer yes to this question if you received any paid leave, such as sick leave or FMLA leave.

NOTE: Do not answer yes to this question if you received vacation or holiday pay and do not have a definite date on which you will return to work with the employer from whom you received such pay. In other

words, if you were laid off indefinitely or permanently, you do not need to report vacation or holiday pay.

6. During the week listed above, were you able and available for work in your occupation without restrictions?

a. If NOT, was it due to COVID-19 because of illness, quarantine, or movement restriction?

Please select the COVID-19 related reason that prevented you from being able and available to work without restriction:

- I have been diagnosed with COVID-19 or I am experiencing symptoms of COVID-19 and am seeking a medical diagnosis.
- A member of my household has been diagnosed with COVID-19;
- I am providing care for a family member or a member of my household who has been diagnosed with COVID-19.
- A child or other person in the household for which I have primary caregiving responsibility is unable to attend school or another facility that was closed as a direct result of the COVID-19 public health emergency and such school or facility care is required for me to work.
- I am unable to reach the place of employment because of a quarantine imposed as a direct result of the COVID-19 public health emergency.
- I am unable to reach my place of employment because I have been advised by a health care provider to self-quarantine due to concerns related to COVID-19.
- I was scheduled to commence employment and do not have a job or am unable to reach the job as a direct result of the COVID-19 public health emergency.
- I have become the breadwinner or major support for my household because the head of the household died as a direct result of COVID-19.
- I quit my job as a direct result of COVID-19.
- My place of employment is closed as a direct result of the COVID-19 public health emergency.
- I am self-employed (including an independent contractor and gig worker) and experienced a significant reduction of my customary or usual services because of the COVID-19 public health emergency.

- I was denied continued unemployment benefits because I refused to return to work or accept an offer of work at a worksite that, in either instance, is not in compliance with local, state, or national health and safety standards directly related to COVID-19. This includes but is not limited to, those related to facial mask wearing, physical distancing measures, or the provision of personal protective equipment consistent with public health guidelines.
- I provide services to an educational institution or educational service agency and am unemployed or partially unemployed because of volatility in the work schedule that is directly caused by the COVID-19 public health emergency. This includes, but is not limited to, changes in schedules and partial closures.
- I am an employee and my hours have been reduced or I was laid off as a direct result of the COVID-19 public health emergency.
- None of the above apply to me.

b. Have you maintained contact with your last employer or customers to determine if work was available during the week listed above?

7. Due to the COVID-19 state of emergency in Maryland, you are exempt from the requirement to actively search for work until 30 days after the state of emergency is lifted. *DUI will not deny your benefits if you did not actively search for work during the week.* However, please answer the following question honestly:

a. Did you actively look for work during the week?

8. Did you attend school or training during the week?

9. Did you receive your first payment from a pension that you have not already reported? Do not include Social Security benefits.

NOTE: Review your answers before accepting them, as you cannot make corrections after you submit the answers. When you successfully file a weekly claim certification, you will receive a processing number that you should retain. If you do not receive a processing number, immediately contact a claims agent at **(667) 207-6520**.

SCHOOL OR TRAINING

If you are attending school or training, you must report it when you file your initial claim. If the schooling/training begins while you are receiving unemployment insurance (UI) benefits, you must report it when you file your weekly claim certification (request for benefit payments). Failure to disclose this information and to properly answer the questions may result in a finding of fraud.

- Normal hours for an occupation refers to the occupation in general, not the hours you worked on your last job. For example, at your last job as a nurse you may have worked a 4 p.m. - midnight shift, which allowed you to attend school during the day. However, normal (customary) hours for the occupation of nurse may include all shifts during each day of the week.
- You may receive a fact-finding questionnaire in your BEACON 2.0 portal, or an interview may be scheduled to discuss whether the days/hours of your schooling/training are truly a restriction on your availability for work. During the fact-finding process, the possibility of a work search exemption (training waiver) may be explored.

ADDITIONAL TRAINING BENEFITS

If you are currently in a training program or are considering entering vocational training, you may be eligible for up to 26 weeks of additional training benefits (ATB), paid at your regular weekly benefit amount. These benefits may be paid over a two-year period determined by the effective date of your initial claim for unemployment insurance (UI) benefits. You must meet the following requirements to be considered for ATB:

1. Be unemployed through no fault of your own;
2. Exhaust all available state and federal UI benefits;
3. File your initial UI claim after you lost your job due to a permanent reduction of operations or after you were separated from a job in a declining industry;
4. Enroll in a training program approved by the Maryland Department of Labor (Labor);
5. Register in a training program authorized under the Workforce Innovation Opportunity Act (WIOA). A workforce professional at your local American Job Center must register you or you must be in approved full-time training;
6. Participate in a training program prior to the end of the benefit year that you established when you initially filed for UI benefits; or,

7. Join a training program that will lead to a job occupation that is in demand.

QUALIFYING WAGES FOR BENEFIT ELIGIBILITY

In order to be eligible for regular unemployment insurance (UI) benefits, you must have earned sufficient wages in covered employment. **Covered employment** is generally any work performed for an employer in exchange for wages. Covered employment excludes independent contracting, self-employment, and a specific list of exemptions (see Code of Maryland, Labor & Employment, [Section 8-206](#)).

To be eligible for regular UI benefits, the claimant must have earned wages in at least two quarters in the base period. The base period is a 12-month period that DUI will use to determine if you are monetarily eligible for UI benefits.

- Each claimant will receive a written notice, the Statement of Wages and Monetary Eligibility, which includes information about the claimant's monetary eligibility. The notice provides your **standard base period** or **alternate base period** to determine your maximum weekly benefit payment amount.
- Regardless of which base period is used and whether or not you are monetarily eligible for benefits, you will be sent a **Statement of Wages and Monetary Eligibility** notification. This form will list your base period employer(s) and the wages that your employer(s) reported that you earned during this period. DUI uses these wages to determine your weekly benefit amount.
- Review your Statement of Wages and Monetary Eligibility notification carefully.
- If an employer is missing or the wage amounts are incorrect, contact a claims agent at **(667) 207-6520** and file a wage protest. You also may need to provide proof (e.g. W-2's, pay stubs, employer letter, etc.) of missing or incorrect wages.

The **Standard Base Period** is the first four of the last five completed calendar quarters prior to the date you file your claim for UI benefits. If you worked full-time during all four quarters, your weekly benefit amount (WBA) will be about one-half of your gross weekly wages, up to the maximum weekly benefit amount of \$430.

The diagram below shows the standard base period for a new claim filed by month.

Month Claim is Filed	Your Standard Base Period is the 12-month Period Ending the Prior:
January, February or March	September 30th
April, May or June	December 31st
July, August or September	March 31st
October, November or December	June 30th

NOTE: If you worked: outside of Maryland; for the federal government; or served in the U.S. Armed Services during the standard base period, you must report this information when you file an initial claim. In some cases, these wages can be combined with your Maryland wages to give you an accurate weekly benefit amount. If you did not earn Maryland wages during the base period, you may need to file a federal claim or an interstate claim in the [BEACON 2.0 claimant portal](#) or by calling a claims agent at **(667) 207-6520**.

The **Alternate Base Period** is the four most recently-completed calendar quarters prior to the date you first applied for UI benefits.

- If you are monetarily ineligible for benefits under a standard base period, your eligibility will be determined using the alternate base period. **You cannot request that the alternate base period be used, even if it would provide a greater weekly benefit amount.**
- Review your Statement of Wages and Monetary Eligibility notification carefully.
- If any employer or any of the wage amounts are incorrect/missing, you must call a claims agent at **(667) 207-6520** to file a wage protest. You may need to provide proof (e.g., W-2's, pay stubs, employer letter) of incorrect/missing wages.

The diagram below shows the alternate base period for a new claim filed by month.

Month Claim is Filed	Your Alternate Base Period is the 12-Month Period Ending the Prior:
January, February or March	December 31st
April, May or June	March 31st
July, August or September	June 30th
October, November or December	September 30th

WEEKLY BENEFIT AMOUNT

The weekly benefit amount (WBA) is a fixed weekly benefit payment claimants who are eligible for unemployment insurance (UI) benefits will receive from the DUI. The weekly benefit amount is based on the wages the claimant earned during the base period.



- The current weekly benefit amount provided under the Maryland UI law ranges from \$50 (minimum) to \$430 (maximum).
- You may be eligible to receive up to 26 weeks of regular UI benefits.
- If you exhaust 26 weeks of regular UI benefits, you will not be eligible to receive benefits again until your benefit claim year is over and you have sufficient earnings to file a new Maryland UI claim.
- If you worked in a state other than Maryland, you may be able to establish a new

UI claim against that state. Contact a live claims agent at **(667) 207-6520** for more information about out-of-state earnings.

- The only time that benefits can exceed 26 weeks is if a federal extension of benefits is available. You will be notified if any extensions are in effect.*

***NOTE: Due to the COVID-19 pandemic, a federal extension of benefits is in effect.** Under the Pandemic Emergency Unemployment Compensation (PEUC) program, claimants who exhaust their regular UI benefits may receive up to an additional 53 weeks of benefits.

DEPENDENTS' ALLOWANCE



You will be paid a dependents' allowance of **\$8 per child, not to exceed five dependent children**. If you receive a dependents' allowance, your weekly benefit amount will still **not exceed the total maximum weekly benefit amount** allowed of \$430.

- Under Maryland unemployment insurance (UI) law, a dependent child is defined as a child, adopted child, or stepchild (not grandchild or foster child) under age 16 whom you support.
- A dependent may only be claimed by one parent during any one-year period.
- You may only claim a dependent when you first open your claim.
- You are required to provide each dependent's Social Security number and birth date. No more than 26 weeks of dependents' allowance can be paid in a benefit year.

TAXABLE INCOME

Any unemployment insurance (UI) benefits that you receive must be reported as part of your gross income for both state and federal tax purposes.

- You may choose to have federal tax (10%), Maryland state tax (7%), both, or no taxes withheld from your UI benefits.
- If you elect to have taxes deducted from your UI benefits and are later determined to be overpaid, the full amount of benefits (including taxes withheld) must be repaid.
- **DUI will send you an IRS form 1099-G showing the total amount of UI benefits paid to you during the previous year.** DUI will issue this form to you through your BEACON portal. You may also receive a copy through the mail. Your 1099-G delivery preferences can be updated in your BEACON portal, under Communication Preferences. DUI will send this form by January 31. Find information about the CASH Campaign of Maryland, with locations for FREE Tax preparation, or how to get financial help with the cost of health coverage through the Maryland Health Connection on the [DUI website](#).

NOTE: For the 2020 tax year, the American Rescue Plan Act of 2021 (ARPA) **waives federal taxes** on UI benefits (up to \$10,200 for individuals and up to \$20,400 for married couples filing jointly, if each spouse collected UI benefits) for households with an adjusted gross income of less than \$150,000.

NOTE: The Maryland RELIEF Act **waives local and state income taxes** on UI benefits for the 2020 and 2021 tax years. The tax waiver is available to taxpayers with a filing status of single, married filing separate, or dependent with a Federal Adjusted Gross Income (FAGI) of less than \$75,000, and filers with married filing joint, head of household, or surviving spouse status with a FAGI of less than \$100,000. If you have questions about your state taxes, please visit the [Comptroller of Maryland's website](#).

NON-MONETARY ELIGIBILITY

Under the Maryland Unemployment Insurance (UI) law, there are many areas that must be explored to establish whether a claimant qualifies for UI benefits.

Some of these areas include:

1. The reason that you are out of work;
2. Whether you are receiving any deductible pay, such as vacation pay, holiday pay, special pay, severance pay, a pension, or back pay or damages; and,
3. Whether you are able to work, available for work, and looking for work.

To be eligible for benefits, you must be separated from your employment through no fault of your own. DUI will contact your former employer(s) to verify the reason(s) for your separation. If you voluntarily quit your employment or were discharged from your employment, you may be disqualified from receiving UI benefits. A claims specialist will review the facts in your case and make a determination of eligibility based on Maryland UI law. You will receive a Notice of Benefit Determination explaining why your UI benefits will be delayed or denied. If your UI benefits are delayed or denied, you can appeal the determination. You must continue to file weekly claim certifications while your appeal is pending if you remain unemployed.

REPORTING PAYMENTS

You are required to report payments you received, are receiving, or will receive from your former employer. Examples of payments you must report are listed below:

- **Vacation, Holiday, and Special Pay** - You must report vacation pay, holiday pay, bonus pay, or other special payments when you file your initial claim. You can report these payments via [BEACON 2.0](#) or by calling a claims agent at **(667) 207-6520**. Your benefits may be reduced or denied, depending on the circumstances. In addition, except for vacation and holiday pay, you must report these payments on your weekly certifications if you receive them at a later time. With respect to vacation and holiday pay, you do not need to report these payments on your weekly claim certification unless you have a definite return-to-work date and knew about the payments when you temporarily separated from your employer. If you fail to report these payments, you may be overpaid. This overpayment must be repaid before any future benefits will be paid. Some of these payments are not considered wages and are not used to determine your monetary eligibility.
- **Severance Pay** - You must report severance pay when you file an initial claim. If you receive severance payments at a later time, you must report them by calling a claims agent at **(667) 207-6520**. Do not report severance payments as wages when filing your weekly claim certification. Severance payments are deductible

from UI benefits based on the number of weeks of your regular wage that they cover. Once your severance payments are exhausted, if you are otherwise eligible, your benefits may be paid. If you do not report your severance payments, you will be overpaid and you may be charged with UI fraud.

- **Pension/Annuity Payments** - You must inform the DUI if you received a lump sum pension or if you are receiving monthly pension payments from any employer for whom you have worked during the last 18 months. These payments may be deductible from UI benefits. It is required that you report the effective date of any pension payments, even if the actual payments are received at a later date. You must also report any changes in your pension amount. If you do not report your pension and any changes to your pension, you will be overpaid, and you may be charged with UI fraud.
- **Back Pay or Damages** - Back pay is considered wages. UI benefits will be denied retroactively for any week to which back pay is attributable. If the claimant is paid UI benefits during a week that the claimant received back pay, the claimant will be charged with an overpayment. Monies paid for damages are not considered wages and should not be deducted from a claimant's benefits.

NOTE: You are NOT required to report any Social Security income.

REPORTING EARNINGS

Earnings are payments, in any form, for any work or service performed, including self-employment, tips, and odd jobs.

Claimants are required to report their gross wages, unless they are self-employed. When reporting wages, if you earn \$60 before taxes or any deductions, you should report \$60. If you do not report all of your gross wages, you will be overpaid and you may be charged with unemployment insurance (UI) fraud. For self-employment income, report your net earnings. Your self-employment earnings should be reported after deductions (such as taxes, expenses, and cost of goods sold) are taken.

NOTE: A claimant may earn up to \$50 per week before deductions are made from a claimant's weekly benefit amount. After \$50, earnings are deducted dollar for dollar. However, claimants must report *all* earnings, even if the claimant earned less than \$50.

- **Earnings Above WBA:** If your earnings equal or exceed your WBA, you are not considered to be unemployed, and you will not receive benefits that week. You

can reopen your claim through the [BEACON portal](#) or by contacting a live claims agent. You cannot reopen your claim through the BEACON mobile app.

- **Full-time, Earning Less Than WBA:** If you are working what is considered to be full-time in your occupation, but earning wages that are less than your weekly benefit amount, you are not considered to be unemployed. Therefore, you are NOT entitled to either total or partial UI benefits.
- **Commissions:** Commissions are earnings but are reported differently. Commission earnings *are reported for the claim week in which you are paid.*

PART-TIME WORK

Part-Time Worker Definition: A part-time worker is defined as an individual whose availability for work is *restricted to part-time* work AND who worked at least 20 hours per week in part-time work for the majority of weeks in the base period.

Classified Part-Time Worker: If you are a part-time worker (as defined above), who is working all hours that you are available, then you are not considered to be unemployed. Therefore, you are **not** entitled to either total or partial unemployment insurance (UI) benefits.

Eligibility Requirement: Under normal circumstances, for a part-time worker to qualify for UI benefits, he/she must be able and available to work and actively seek work. However, **due to the COVID-19 pandemic, all claimants are exempt from the requirement to actively seek work until 30 days after the state of emergency is lifted in Maryland.**

Work at Least 20 hours per Week: To qualify for UI benefits as a part-time worker, you must seek a job where you can work at least 20 hours per week. The work must be in a labor market in which a reasonable demand for part-time work exists.

Working Part-Time and Reporting Earnings: If you are working part-time during any week in which you claim UI benefits, you may be eligible for partial benefits. You must report all of your earnings on your weekly claim certification for the calendar week in which you performed the work, even if you have not yet been paid.

FRAUD PREVENTION



If you knowingly make false statements, misrepresent, or fail to give important facts in order to obtain or increase unemployment insurance (UI) benefits, you may be subject to a fine of up to \$1,000 and/or imprisonment.

- In addition, a 15% fraud penalty will be added to your overpayment amount.
- You will be required to repay any benefits, penalties, and interest accrued as a result of providing false/misleading information.
- If you make an honest mistake in giving information when you file your initial claim or weekly claim certification, notify a claims agent at **(667) 207-6520**.

NOTE: If you know someone who is collecting UI benefits and is working and not reporting wages, is incarcerated, out of town, or unable to work, **call the FRAUD HOTLINE toll-free at 1-(800) 492-6804 between 8 a.m. and 4 p.m. (ET), Monday through Friday.** All information received is investigated and the caller may remain anonymous.

ELIGIBILITY ISSUES

You may receive a Telephone Call, a Fact-Finding Questionnaire or a Claimant Telephone Appointment notice if there is an issue regarding your eligibility. DUI sends a Claimant Telephone Appointment notice to a claimant when a potential fraud issue is identified or when it is necessary to discuss and adjudicate any unresolved issues affecting a claim.

- If you receive this notice, you must be available on the date and at the time designated on the notice.
- It is important that you are available for this telephone interview, as your statement will be used to determine your eligibility for benefits.



- If the notice lists an incorrect telephone number for you, please provide the correct telephone number as quickly as possible by calling (667) 207-6520.
- DUI might attempt to discuss and adjudicate any unresolved issues affecting a claim via an unscheduled telephone interview. If a claimant does not answer, DUI will leave a message via voicemail or with a responsible adult, if possible, to schedule a follow-up telephone call.
- If you are not available and have not provided information concerning the issue to be resolved, a determination will be made on your claim based on available information, which may result in a delay or denial of your benefits.

REFUSAL OF WORK

If DUI receives a report from an employer stating that you refused an offer of suitable work without good cause, you may be disqualified from receiving benefits. DUI will generate a fact-finding questionnaire or set up an interview to determine if the job was suitable and, if so, whether or not you refused with good cause. Claimants have the right to refuse work that poses a risk to their health or safety. To determine if work is suitable or whether a claimant had good cause for refusal, DUI considers:

1. Previous work experience;
2. Prevailing salary for the job in your geographical area;

3. Physical and mental fitness;
4. Safety;
5. Distance from your home;
6. Risk to your health;
7. Length of unemployment;
8. Prospects for obtaining other work in your customary occupation; and,
9. COVID-19 related reasons, such as being diagnosed with COVID-19, being unable to reach your usual place of employment due to a COVID-19 related quarantine or government-mandated lockdown, taking care of someone with COVID-19, being a caregiver for a child who cannot attend school because of COVID-19, or being at high risk of severe illness from COVID-19.

After the fact-finding process, DUI will make a determination about whether or not you refused an offer of suitable work and, if so, whether you had good cause. This determination will be provided to you through [BEACON 2.0](#) and by postal mail, if that is your preferred communication method. If you disagree with the determination, you have the right to file an appeal.

Under the maximum penalty for refusing suitable work, your benefits will be denied until you are reemployed and earn at least 10 times your weekly benefit amount in covered employment (Code of Maryland, [Section 8-1005](#)). If there are mitigating circumstances involved in a refusal of suitable work, you could receive a lesser penalty which consists of at least 5 but no more than a 10-week denial of benefits. Additionally, you may be required to repay some or all of any benefits you received.

THE REEMPLOYMENT EXCHANGE (REX) MODULE

The **Reemployment Exchange (REX) Module** is accessible through the Maryland Workforce Exchange System (MWE) and allows you to log your reemployment activities. You must record your valid reemployment activities in REX, which you can do online in the [MWE System online](#). You must register with the MWE before using its services.



REX can also provide you with a reemployment strategy to assist you in becoming reemployed. All reemployment activities submitted into REX are retained as a permanent record and are subject to verification by DUI.

After you file your initial claim, you must register with the Maryland Workforce Exchange. This is a one-time requirement. Visit the [Maryland Workforce Exchange \(MWE\) website](#) and select "Register" to complete your registration. Detailed registration instructions are available on the [DUI website](#).

- Under normal circumstances, you must actively search for work each week that you are unemployed and requesting unemployment insurance (UI) benefits.
- However, **due to the COVID-19 state of emergency, the active search for work requirement is waived. Current and new recipients of UI benefits are *not* required to actively search for work until 30 days after the state of emergency is lifted.**

- Ordinarily, you must also complete and log at least three valid reemployment activities per week in the MWE-REX System work search verification log.
- Normally, failure to perform and record at least three valid reemployment activities per week will result in a delay or denial of benefit payments, unless exempt from work search.

NOTE: Although you are not required to search for work during the COVID-19 pandemic, you may be selected for a federally-required reemployment workshop with a workforce professional. The professional will work with you to develop an individualized reemployment plan (IRP) of action to be implemented after the state of emergency is lifted.

- During the COVID-19 state of emergency, we strongly encourage you to remain active by completing any of the 37 MWE reemployment activities on the [MWE website](#). A link to the MWE website is available in [BEACON 2.0](#).
- Examples of valid online reemployment activities include: self-service resume development; skills self-assessment; completion of training in Allison-REX; labor market research; virtual job recruiter; and external web-linked job referrals (Career Builder, Indeed, LinkedIn).
- If you are in a union with a hiring hall, you must make regular contact in the manner prescribed by your union. Under normal circumstances (outside of the COVID-19 pandemic time period), if you belong to a union which does not usually find work for its members, you must still make an active search for work.
- You must continue to be available and actively seeking employment if you are working part-time while filing for UI benefits.
- If you believe that you have an offer of suitable employment but have not started the job yet, you must continue to look for work.
- Maryland employers are required by law to report, within 20 days, employment information (date hired, rate of pay, etc.) for all individuals hired or rehired.
- Contact a claims agent for modified work search methods if you are permanently disabled, as defined in the Americans with Disabilities Act of 1990. You are still expected to actively seek work within the limitations of your disability.
- To learn more about the work search exemption, visit the [Work Search FAQs](#).

APPEALS

Section 8-508 of the Code of Maryland provides the right to appeal. If you receive a determination disqualifying you from receiving benefits and you disagree with the determination, you have the right to file an appeal. Your employer also has the right to appeal any employer-related decision that awards benefits to you. Information about filing an appeal will be included in the determination you receive.



- If you are notified of a scheduled appeal, you should make every effort to be available.
- Appeal hearings are the last step at which either you or your employer has the absolute right to present evidence.
- Appeal decisions are made based on the evidence presented at the hearing. Failure to be available may result in a disqualification and a determination that the benefits you already received were overpaid.
- If you are still unemployed and are filing an appeal, you must continue to file your weekly claim certifications (request for benefit payments).
- If you do not continue to file your weekly claim certifications, you will not receive benefits, even if you win the appeal.
- You must also continue to be able, available, and actively seeking work.

Please include the following information in your appeal:

1. Your name as it appears on the benefit determination;

2. The last four digits of your Social Security number;
3. The date of the determination which is being appealed; and,
4. A brief statement about why you disagree with the determination being appealed.

Appeals must be filed no later than the specified due date listed on your correspondence. If the appeal is filed late, the Appeals Division will determine, during the hearing, if the reason for the late filing is with good cause. You can file an appeal in your [BEACON 2.0 claimant portal](#), by fax at (410) 225-9781, by e-mail at UILowerAppeals.Labor@maryland.gov, or by postal mail. Mail your request to:

**Maryland Department of Labor
Lower Appeals Division
1100 N. Eutaw Street, Room 505
Baltimore, MD 21201**

NOTICE TO CLAIMANTS ABOUT THE RELEASE OF INFORMATION

Personal information submitted by a claimant is subject to public inspection only to the extent allowed by the Maryland Public Information Act (Maryland Annotated Code, State Government Article, Sections 10-611 to 10-628). The Maryland Annotated Code is available at local public libraries. Information submitted to the United States Department of Labor may be disclosed to state, federal, or local government agencies as provided by law. You have the right to inspect, amend, and correct your personal

records as provided by the Maryland Public Information Act. Personal information you provide may be used for secondary purposes.

In addition to reporting your income from unemployment to the Internal Revenue Service (IRS) and the Maryland Office of the Comptroller, DUI shares information about your claim with federal and state agencies to help them determine your eligibility for other programs such as:

- | | |
|---|--|
| <input type="checkbox"/> Maryland Workforce Exchange; | <input type="checkbox"/> Medicaid Programs; |
| <input type="checkbox"/> Division of Rehabilitation Services; | <input type="checkbox"/> Housing Programs; |
| <input type="checkbox"/> Food Stamp Program; | <input type="checkbox"/> Housing Assistance; |
| <input type="checkbox"/> Temporary Cash Assistance; | <input type="checkbox"/> Health Coverage; and, |
| | <input type="checkbox"/> Child Support. |

EQUAL OPPORTUNITY

If you believe you were subjected to discrimination under a WIOA Title I financially-assisted program or activity, you may file a complaint within 180 days of the date of the alleged violation with either: the Maryland Department of Labor (Labor) Office of Fair Practices (OFP), 1100 North Eutaw Street, Room 613, Baltimore, MD 21201 (or the person whom the Maryland Labor designated for this purpose); or the Director, Civil Rights Center, U.S. Department of Labor, 200 Constitution Avenue NW, Room N-4123, Washington, D.C. 20210. If you file your complaint with Maryland Labor, you must wait until either: Labor issues a written Notice of Final Action; or 90 days have passed (whichever is sooner) before filing with the CRC. However, you must file your CRC complaint within 30 days of the 90-day deadline (in other words, within 120 days after the day on which you filed your complaint with Labor). If Labor gives you a written Notice of Final Action for your complaint but you are dissatisfied with the decision or resolution, you may file a complaint with CRC. You must file your CRC complaint within 30 days of the date on which you received the Notice of Final Action.

Maryland Department of Labor Office of Fair Practices (OFP) 1100 North Eutaw Street, Room 613 Baltimore, Maryland 21201	Phone: 410-230-6319 Fax: 410-225-3282 Maryland Relay 7-1-1 E-mail: dlofp-labor@maryland.gov
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Please visit the [DUI website](#) for more details and to access the latest information about unemployment insurance in Maryland.

APPENDIX M

State of Illinois

Department of Employment Security



Unemployment Insurance Benefits Handbook



IDES
ILLINOIS DEPARTMENT OF
EMPLOYMENT SECURITY

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Introduction

This publication provides detailed instructions on how job seekers can apply for unemployment insurance benefits.

The Illinois Department of Employment Security (IDES) collects unemployment insurance taxes from the state's liable employers and returns those dollars to eligible Illinois workers as unemployment insurance benefits. IDES also operates an employment service and other special programs for the unemployed and underemployed and matches employer labor needs with the skills of job seekers.

Where to Find IDES Services

Visit the IDES Internet site at IDES.Illinois.gov for all services. IDES services are also available at IDES offices and Illinois workNet Centers throughout Illinois. To find an office near you, go to IDES.Illinois.gov and select **Office Locator** from the **About IDES** menu.

If you have questions about filing a claim, please consult this brochure. You may also call IDES Claimant Services at (800) 244-5631 if you still have questions.

Unemployment insurance benefits recipients are required to actively seek employment. They are also required to register with the Illinois Employment Service systems. Both requirements can be fulfilled by logging in to IllinoisJobLink.com and completing the registration process, creating a resume, and searching for work.

For information on career choices, employment trends, job outlooks, job descriptions and wages, go to IDES.Illinois.gov, and select **Career Information** from the **Individuals** or **Workforce Partners** menu.

Protect Your Benefits

Many unemployed workers lose their benefits for a week or more because they do not *follow the instructions* in this booklet. Mistakes in filing claims can delay payment of your benefits. If you do not understand these instructions, call IDES Claimant Services at (800) 244-5631 or ask for assistance at an IDES office or Illinois workNet Center. You are entitled to be represented in all matters relating to your claim by a person or organization of your choice. Information concerning your claim can be given to your representative only if that representative shows evidence of authorization from you.

Unemployment Insurance Benefits

Unemployment insurance is a state-operated insurance program designed to partially compensate you for loss of wages when you are out of work. As with fire, accident, health and other types of insurance, it is for an emergency: when you are temporarily or permanently out of a job or if you work less than full-time due to lack of work.

The program ensures that, if you meet the eligibility requirements of the law, you will have some income while you are looking for a job, up to a maximum of 26 full weeks in a one-year period. However, unemployment insurance cannot and does not protect you against wage losses while you are absent from work due to illness or while you are idle by choice.

Unemployment insurance should not be confused with Social Security, which is a federal program to protect you and your dependents against loss of earnings upon retirement, permanent disability or death. You pay for Social Security partially through payroll deductions; you do not pay any part of your wages, either directly or through payroll deductions, for unemployment insurance in Illinois. Unemployment insurance benefits are funded by tax dollars collected from Illinois employers.

Because employers pay the cost of unemployment insurance (the amount that they pay varies depending on the number of claims charged to their experience), employers have the right to contest claims that they believe are not legitimate.

Insured Work

If you qualify for unemployment insurance, you will receive benefits based on *insured work*. *Insured work* is work performed for an employer who is subject to the law — one who is required to make payments to the state under the Illinois Unemployment Insurance Act.

The biweekly payments to you are known as *benefits*. To qualify for benefits, you must meet eligibility requirements. If you do, benefits will be paid to you as a matter of right. Benefits are not based on need; they are not charity or welfare.

In Illinois, the unemployment insurance program is administered by IDES; services are provided to the public via the Internet and at IDES offices throughout the state.

If you become unemployed, you may file a claim online at [IDES.Illinois.gov](https://www.ides.illinois.gov) or at an IDES office. Office locations can be found online or by calling IDES Claimant Services.

File your claim during *the first week after you have become unemployed* or as soon thereafter as possible. If you delay filing, you may lose benefits.

Uninsured Work

Some types of work that may not be insured in Illinois. Wages paid for uninsured work cannot be used as a basis for claiming benefits. Here are some examples:

1. Agricultural workers who are covered are those who worked for an employing unit that paid at least \$20,000 in cash wages to these employees during any calendar quarter or employed 10 or more individuals within each of 20 or more calendar weeks within either the current or preceding calendar year. Other agricultural workers are not covered.

2. Domestic workers who are covered are those who worked for an employing unit that paid at least \$1,000 in cash wages for any domestic services in any calendar quarter in either the current or preceding calendar year. Other domestic workers are not covered.
3. Railroad work covered by the Railroad Unemployment Insurance Act is not insured.
4. Certain family employment, such as a person working for a spouse, a parent working for a son or daughter or a son or daughter under 18 working for a parent, is not covered.
5. Work as an insurance agent or solicitor paid solely on a commission basis is not covered.
6. Some government work in special job situations (elected officials) or those hired to work for a short period following a disaster may not be covered.
7. Federal, state or locally funded work-relief and/or work training are not covered.
8. Direct sellers of consumer products on a buy-sell basis, by direct commission or any similar basis in a home or in an establishment other than a permanent retail establishment are also not covered.

There are some other types of work that are not insured under the Illinois program but may be insured under another state (see page 16) or the federal government. If you have any questions, call IDES Claimant Services.

Are You Eligible for Benefits?

Unemployment insurance, like other forms of insurance, requires that *certain eligibility conditions be met* before your claim can be paid. These conditions are designed to determine that you have been recently employed and are now unemployed through no fault of your own. You are eligible for benefits only for weeks in which you meet all of the eligibility conditions and are not subject to disqualification.

GENERAL ELIGIBILITY

1. You are unemployed through no fault of your own.
2. You were paid \$1,600 or more in wages during your base period for insured work (See page 14.)
3. You were paid at least \$440 of your base period wages at any time during the base period outside the calendar quarter in which your wages were highest.
4. You are registered for work with IDES. (See page 8.)

WEEKLY ELIGIBILITY

1. You filed your claim (certified) for the week as scheduled using the automated Tele-Serve system, via the Internet or as otherwise directed by IDES staff.
2. You have served one “waiting week.” The “waiting week” is a qualifying period required by law. Benefits are not paid for this week. It is usually the first week for which you file your claim
3. During the week, you were able to work, available for work and actively looking for work. (See pages 7 & 8.)

DISQUALIFICATIONS

Even though you meet the eligibility conditions listed above, you will not be eligible for benefits if you are disqualified. You will be *disqualified* if:

1. You quit your job without good cause attributable to your employer, unless you quit because of one of these reasons: health, sexual harassment, domestic violence, unsuitable work, acceptance of another job, failure to exercise bumping privileges or the need to accompany a military spouse or a spouse who is relocating due to employment.
2. You were discharged for misconduct connected with your work.
3. You failed, without good cause, to apply for or accept a suitable job offered to you. Under the law, a job is **not** suitable if:
 - a. The job opening exists because of a labor dispute.
 - b. The wages, hours or other working conditions of the job are not as good as those that exist for the same kind of work in the same community.
 - c. Your safety, health or morals may be endangered.
 - d. You would have to resign from or be prevented from joining a union to get or keep the job.
 - e. You would displace another worker under a collective bargaining agreement and cause that person to be laid off.

Note: If any of the first three disqualifications apply to you, you will not be eligible for future benefits until you find another job and earn an amount equal to or more than your weekly benefit amount in each of four calendar weeks, and then lose that job through no fault of your own. (A few types of work cannot be used to requalify.)

4. You were discharged because you committed a felony or theft in connection with your work. You may be denied all benefits based on wages paid you up to the date of your discharge.
5. You are unemployed because a labor dispute has caused a stoppage of work at the place where you work. You may be denied benefits until the stoppage ends. If you can show that you and all the other workers in your grade or classification were not participating in or directly interested in the labor dispute, you will not be denied benefits even though there is a stoppage.
6. For the same week for which you claim Illinois benefits, you are receiving unemployment insurance benefits from another state or under a federal law such as the Railroad Unemployment Insurance Act.
7. For any week for which you claim benefits, you have been or will be paid or your employer is obligated to pay wages in the form of vacation pay, vacation allowance or stand-by pay for an announced shutdown for inventory or vacation purposes or if, in connection with your separation, the employer makes or will make such payment and files a timely designation of the period covered by the pay or for which you receive wages in lieu of notice or a back-pay award.
8. For the same week for which you claim benefits, you are receiving workers' compensation for a temporary total disability equal to or more than the unemployment insurance benefits you could draw for the week. If the amount is less than the benefits, you may be paid the difference.

9. Since the beginning of your prior benefit year (please see **page 14**) in which you were paid benefits, you have not earned the required amount to qualify for a second year of benefits.
10. You will be paid or have received a retirement pension or other similar periodic payment for the week for which you claim benefits. One-half (50%) of your retirement pension payment (if paid for in part by your base period or chargeable employer) or all (100%) of your retirement pension payment (if the base period or chargeable employer paid all of its cost) is deducted from your unemployment insurance benefits.

Retirement pension deduction is determined by using the following calculation: monthly amount of pension is divided by thirty (30) then multiplied by seven (7), which is the weekly pension amount. If the employer paid any part of the pension, then the weekly pension amount is divided by two (2) to determine one-half (50%).

For example, an individual receives \$1030.50 a month in retirement pension, of which the employer paid part of the pension and the weekly benefit amount is \$331.00. The formula is as follows:

$$\mathbf{\$1030.50 \div 30 = \$34.35 \dots\dots \text{Daily Amount}}$$

$$\mathbf{\$34.35 \times 7 = \$240.45 \dots \text{Weekly Retirement Amount}}$$

$$\mathbf{\$240.45 \div 2 = \$120.225 \dots 50\% \text{ of Weekly Amount}}$$

$$\mathbf{\$331.00 - \$120.225 = \$210.775 \dots \text{Round to next highest dollar}}$$

$$\mathbf{\$211.00 \dots \text{Benefit amount after retirement deductions}}$$

11. Your claim is based on wages that were earned while you worked for an educational institution as a teacher, researcher or administrator, you are between academic terms or you are on vacation or a holiday recess and you have the reasonable assurance of returning the following term. However, educational personnel might qualify for unemployment insurance benefits between and within an academic term if they have sufficient non-academic wages. You will be disqualified if you worked for any educational institution as a bus driver, crossing guard, cafeteria worker, clerk, etc. and you are between academic terms and there is reasonable assurance that you will return to such work in the term that immediately follows. Academic personnel might also be disqualified during a period of paid sabbatical leave.
12. You are a professional athlete, you are between sport seasons and there is reasonable assurance that you will return to athletic services.
13. Your benefits would be based upon wages earned while you were an alien who was not a permanent resident or did not have a work permit.

When and Where to File

File your claim for unemployment insurance benefits during the first week after you have become unemployed. File for benefits online at IDES.Illinois.gov or at an IDES office. If you are uncertain about your eligibility for benefits, call IDES Claimant Services for further information.

You must also register with the Illinois Employment Service system at IllinoisJobLink.com, or you may register at an IDES office.

Information Needed to File for Benefits

- Your Social Security Number and Name as it appears on your Social Security card;
- Your Driver License / State ID (this will provide your weight, which is required);
- If claiming your spouse or child as a dependent, the Social Security Number, date of birth and name(s) of dependent(s);
- Name, mailing address, phone number, employment dates, and separation reason for all the employers you worked for in the last 18 months;
 - Wage records (W-2 form, check stubs, etc.) from these employers may be necessary.
- If you worked since Sunday of this week, the gross wages earned this week;
 - You must report all gross wages for any work performed, full or part-time;
 - Gross means the total amount earned before deductions, not “take home pay”, including wages in the form of lodging, meals, merchandise or any other form;
 - Gross wages must be reported the week in which they are earned, not the week in which you receive the wages;
 - If your gross wages earned in any week are less than your weekly benefit amount, you still may be eligible to receive a full or partial benefit payment);
- Records of any pension payments you are receiving (not including Social Security);
- If you are not a United States citizen, your Alien Registration Information;
- If you are a recently separated veteran, the Member 4 Copy of the DD form 214 / 215;
 - Other copies of the DD Form 214 / 215 are acceptable, but the Member 4 copy is the most commonly available.
- If you are separated from work as a civilian employee of the federal government, copies of your Standard Form 8 and Personnel Action Form 50.

Note: The law provides jail sentences and fines if you attempt to obtain benefits fraudulently by withholding pertinent information or by making false statements with regard to your claim.

What “Able to and Available for Work” Means

The law states that you must be *able to and available for work* during any week for which you claim benefits. This means that during the week you must have been willing, ready and able to accept a suitable job. Normally this means a full-time job. You are *not* able to and available for work if:

1. You are sick and cannot work on any day.
2. You are away on vacation.
3. You must stay at home to keep house or care for your family.
4. You have retired and will not accept a suitable job.
5. After losing your last job, you move to and stay in a community where your chances of getting a job are definitely not as good as those in the community you left.
6. The wages, hours or work conditions you insist on unreasonably limit the chances of your getting a job.
7. Your main occupation is that of a student in attendance at or on vacation from school. However, you may be eligible for benefits if you are attending an approved training course to help you get a job under specified circumstances. If you are enrolled in such a course, inform a representative at IDES Claimant Services, at an IDES office or a workNet Center.

Actively Looking for Work

The law states that you must be actively looking for work on your own initiative. You must register with the Illinois Employment Service system at IllinoisJobLink.com, or you may register at an IDES office. Your work preferences and skills will be matched to available job openings. Staff members are available at the IDES offices to provide assistance with your job search. In addition, you may be asked to regularly inform IDES about:

1. What you are doing to find work.
2. The kind of work you have been seeking.
3. Your prospects of being hired.

Keep a record of when and where you apply for work. If you search for work at IllinoisJobLink.com, your efforts will be recorded there. You can also use a Work Search Record form available on our website: IDES.Illinois.gov.

If your period of unemployment becomes extended, you may have to consider altering your requirements to improve your chances of finding work.

Claiming Children as Dependents

You may claim a child as a dependent if all of the following conditions apply:

1. The child has not been claimed as a dependent by anyone else during the past year.
2. The child is not a member of the same family in which one child has been claimed as a dependent by the other parent.

3. The child is under 18 years of age, or, if older, has been unable to work because of illness or other disability during the 90 days prior to the first day of each week for which you file a claim for benefits.
4. The child is your natural child, your stepchild or your adopted child, or the child is in your custody by court order.
5. You provided more than one-half of the support for the child for the 90 days prior to the first day of each week for which you file a claim for benefits (or for the duration of the relationship if it existed for less than 90 days) or you provided at least one-quarter of the support if you and your spouse together provided more than one-half the support and were members of the same household.

If you were prevented by illness or injury from supporting your child or children during the 90-day period but were legally obligated to support them, you are considered to have supported them.

Claiming a Spouse as a Dependent

You may claim your spouse as a dependent if she/he does not have enough wages of their own to qualify for benefits and you provided more than one-half of your spouse's support for the 90 days prior to the first day of each week for which you file a claim for benefits.

However, if your marriage took place less than 90 days before the first day of the benefit week, you may claim your spouse as a dependent if he/she does not have enough wages to qualify for benefits and you have provided more than one-half of their support since the date of the marriage.

If you were prevented by illness or injury from supporting your wife or husband during the 90-day period but were legally obligated to provide support, you are considered to have supported her or him.

You cannot claim both a dependent spouse and a dependent child.

What Happens When You File Your New Claim for Benefits?

1. After you file your claim, you will be assigned a call day to certify for weeks of benefits.
2. You are required to complete your registration with the Illinois Employment Service system at IllinosJobLink.com.
3. You will be informed that you must actively look for work and must maintain a record of your work search efforts (See page 8). This documentation must be produced if requested by this agency.

A determination that you were actively seeking work during a week being claimed is subject to reconsideration. (The determination may be reconsidered despite the fact that you have been paid benefits or returned to work since then.) In order to preserve evidence that you were actively seeking work, do not discard your written work search record for any week being claimed until 53 weeks have passed from the end of that week. Further, if there is an appeal pending regarding your active work search for a week, keep your written work search record until there has been a final resolution of the matter.

After your claim is filed, IDES will send you a statement called a UI Finding. The Finding shows:

- Your first certification date.
- The wages you were paid by each employer in each calendar quarter of your base period for insured work.
- Date of claim and benefit year begin and end dates.
- Your weekly benefit amount (WBA) and dependent allowance*.
- Your maximum benefit balance.

**Your WBA and dependent allowance are separate amounts; if you are entitled to a dependent allowance, it will be added to your WBA, increasing your total benefit payment.*

If the Finding is correct, retain it. If it is not, report the error immediately to IDES. Please be prepared to show proof of wages paid during your base period (i.e., W-2 statements, check stubs, etc.). Once you file a claim for unemployment insurance benefits, you cannot withdraw the claim, even if a claim with a later effective date would result in a higher weekly benefit amount.

Benefits Paid for Weeks

Benefits are paid for calendar weeks of unemployment. A calendar week begins on Sunday and ends on Saturday. Benefits are paid for a week of unemployment after the end of the week. Your assigned call day, certification day or appointment is always on a date after your week of unemployment. You cannot receive benefits for a week until you have certified for that week by telephone or online, as directed, and have met all the eligibility requirements during that week.

Receiving Benefit Payments via Direct Deposit

Claimants can opt to receive benefit payments by direct deposit or debit card. Direct deposit is a more convenient and reliable way to receive benefit payments. The benefit payments are typically deposited into the specified account within two business days after the claimant certifies for benefits.

To sign up for direct deposit, go to [IDES.Illinois.gov](https://www.ides.gov), click the down arrow under **Sign In to My Account** and select **Enroll/Modify Direct Deposit**. This link will also instruct you on how to edit your banking information or cancel your direct deposit. If you do not sign up for direct deposit, you will receive your benefit payments via debit card.

Receiving Benefit Payments via Debit Card

Claimants will automatically receive their unemployment insurance benefits by debit card, unless they register for direct deposit. The card will be mailed to the claimant, and the benefit payment amount will be downloaded onto the card approximately two business days after you certify for benefits with IDES. The card

is administered jointly by a major bank card issuer and IDES. All benefit payments will be made via debit card unless a claimant has requested direct deposit. For more information regarding debit cards, go to [IDES. Illinois.gov](https://www.ides.illinois.gov) and search for “debit card”.

Certify for Benefits

After filing your claim you will receive a UI Finding, which includes, among other things, your base period wages, your weekly benefit amount and your bi-weekly certification day.

You must certify every two weeks for the weeks just ended. IDES permits you to file bi-weekly certifications online or by Tele-Serve.

Instructions for certifying are detailed in two publications:

- I Filed My Claim What Happens Now, and
- Tele-Serve

Both pamphlets can be found online at [IDES.Illinois.gov](https://www.ides.illinois.gov). Print copies are also available at IDES offices.

Scheduled Appointments

After filing your claim, you may be scheduled for a telephone interview. . An interview can be triggered by your claim application, your answers to certification questions, or by an employer protest. In some cases you may only be required to complete and return a questionnaire. Under rare circumstances you may be required to report in person to an IDES office.

When scheduled, remember to do the following:

1. If you are scheduled for a telephone interview, always make yourself available to accept the phone call at the telephone number you have provided. Claimants on a phone interview should be in an environment where they can hear well, take notes and not be distracted.
 - If you are not available for your appointment, return the Request for Change of Interview Date that was attached to your Notice of Interview.
 - If you are not available for your appointment, you may also call IDES Claimant Services or report to an IDES office as soon as possible to explain why you are unavailable.
 - If you do not have good cause for not being available, you may lose benefits.
2. If your appointment is scheduled in person, bring all other completed forms or documents you were instructed to bring.
3. At your interview, be prepared to tell the IDES representative:
 - About any work you performed since you last certified.

- About any vacation pay, holiday pay or other income you have received since you last certified.
- If you were sick or otherwise unable to work or not ready to take a job for any reason since you last certified.
- If you quit, refused or were discharged from a job.
- If you were out of work since you last certified because of a labor dispute.
- If you received or applied for unemployment benefits from a state other than Illinois since you last certified.
- Where you looked for work since you last certified. Keep a separate record of all work search efforts; you may be required to provide this information later.
- If you had earnings since you last certified. Report the gross wages for any work performed, full or part-time. Gross means before taxes or other deductions, not your take-home pay. Earnings in the form of lodging, meals, merchandise or in any other form should be included.

Remember, wages must be reported for the week when you earned them, not when you actually received them. If your gross wages earned in any week are less than your weekly benefit amount, you still may be eligible to receive a full or partial benefit payment.

If You Are Unable to Work

For each work day you are sick or otherwise unable to work, your benefit payment for that week will be reduced by one-fifth of your weekly benefit amount. If you are unable to work for five work days in a week, you will not receive any benefits for that week. If you become ill for an indefinite period, notify IDES Claimant Services as soon as you are able to work.

If You Move

Notify IDES Claimant Services of your new address and file a change-of-address notice with the U.S. Postal Service. Even if you stop claiming benefits, you should still notify IDES if you move because issues could arise after you have stopped filing for benefits.

When You Return to Work

Notify IDES Claimant Services as soon as possible, but not later than 14 days after the day you were supposed to certify. You may also report your return to work when certifying.

If you report in person, tell the claims representative the date you started work and the name, address and phone number of your employer.

Lost Debit Cards

If you lose your debit card, call KeyBank Customer Service at (866) 295-2955.

If You Are Overpaid

If you are overpaid, the amount may be recouped from benefits payable to you. If the overpayment is due to reasons other than fraud, i.e., knowingly giving false or misleading information, the amount recouped may not be more than 25 percent of your weekly benefit amount for each week you are eligible for benefits. The overpayment could result in a comptroller's offset of state payments (such as state income tax refunds and lottery winnings).

If an overpayment is not your fault and you can show financial hardship, you may request that the overpayment not be recouped temporarily from any benefits you are entitled to receive. Even if recoupment is waived temporarily, you still are responsible for the amount of benefits overpaid to you.

False or Misleading Information

The giving of false or misleading information, or the holding back of any information in order to draw benefits to which you are not entitled, is punishable under Illinois law. You may be subject to a fine, incarceration and comptroller's offset of state and/or federal tax returns. In addition to possible criminal penalties, you may not draw benefits again until you have served a number of penalty weeks (or two years have elapsed from the time your ineligibility began) and you have repaid the amount of benefits received through fraud or that amount has been recovered from benefits otherwise payable to you. Each employer for whom you work files with the state of Illinois a record of wages paid to you and the quarter the wages were paid. Your claim is checked against these wage records.

When you file a claim, all the information you provide is checked by investigators. Your last employer and, in some cases, other former employers are notified of your claim.

If Your Claim Is Contested

You will be given an opportunity to present the facts to an IDES claims adjudicator. If witnesses are required to help present your case, you must arrange for them to attend the meeting. Benefits will be paid promptly if the claims adjudicator determines that you are eligible for benefits.

If Your Claim Is Denied at Any Time – Your Appeal Rights

1. You may appeal any determination that denies you benefits.
2. Review the document "Preparing for Your Appeal Hearing", which is available online at IDES.Illinois.gov. You may also call Claimant Services for information about the appeal process.

3. By law you must file your appeal within 30 days after a letter of denial has been mailed to you.
4. File the request by mail or fax at the address or fax number listed in the determination letter. If the last day for filing your appeal is Saturday or Sunday or any other day that IDES offices are closed, the appeal may be filed on the next day IDES offices are open. Any request submitted by mail must bear a postmark date within the applicable time limit for filing.
5. Continue to certify regularly as long as your appeal is pending and as long as you remain unemployed.

What Happens to Your Appeal?

1. Your appeal will be assigned to an impartial Administrative Law Judge (referee) for a hearing. You will be notified of the date and time of the hearing.
2. At the hearing you will be given every opportunity to present your case. Facts in support of your claim should be presented at this time. If witnesses are required to help present your case, you must arrange for them to attend.
3. In the hearing you have the right to have a representative – an attorney or any other person you choose – to help you. The state contracts with law firms to provide limited free legal services at IDES appeal hearings to claimants and certain small employers. Representation at your hearing is not automatic and depends on the facts of your case. Even if you do not qualify for representation, an attorney will speak with you about your case. If you are interested in this service, call (800) 884-6591. To obtain this service you must call right away after receiving a ruling against you or notice of an appeal. Any delay in calling could result in your not being able to obtain this service.
4. If the referee decides against you, you have the right to appeal to the Board of Review, an independent five-person body appointed by the governor. You have 30 days from the date of the referee's decision to file this appeal. You may fax your appeal to the designated fax number on your Administrative Law Judge's Decision or file your appeal at an IDES office.
5. If you disagree with the decision of the Board of Review, you may file an appeal in the Circuit Court of the county in which you live if you live in Illinois or in the Circuit Court of Cook County if you live in another state. You will not be required to pay court costs. You may, however, have to pay for the service of a summons and for a transcript of the record.

Continue to certify regularly as long as your appeal is pending and as long as you remain unemployed. If the final decision is in your favor, you can be paid benefits only for those weeks for which you filed claims and met all eligibility requirements.

Employer Appeal Rights

When you file your first claim for benefits, your last employer and, in some instances, other former employers are notified. They have the right to submit information to IDES on your eligibility for benefits. If this information is provided within the specified period of time, an employer has the right under Illinois law to appeal the decision that allowed your benefits.

Benefits will be paid to you on the determination that allowed your benefits even though the employer has appealed. If the employer wins the appeal, and a referee holds that the benefits should not have been paid to you, action will be taken to recover those benefits. Since you will be asked to repay any benefits received in error, it is important that you participate in the referee hearing on the employer’s appeal to present your side of the case.

If an employer has appealed, you will be notified of the date and time of the hearing.

How Your Benefits Are Determined

The effective date of your first valid claim starts your benefit year. This is usually the Sunday of the week in which you first file your claim. Your benefit year is the full year that begins on that date. For example, if the date of your valid claim is March 15th, your benefit year will continue through March 14th of the following year.

Your weekly benefits and the total amount of benefits that can be paid to you during your benefit year depend on the amount of wages for insured work paid to you during your base period.

Your Base Period

The **standard or regular base period** consists of the first four of the last five completed calendar quarters immediately preceding the beginning of your benefit year. There are four calendar quarters: January–March, April–June, July–September and October–December.

If Your Benefit Year Begins:	Your Base Period Will Be:	Your Alternate Base Period will be:
This Year Between: Jan. 1 and March 31	Last Year Between: Jan. 1 and Sept. 30 and the year before between Oct. 1 and Dec. 31	Last year between: Jan. 1 and Dec. 31
This Year Between: April 1 and June 30	Last Year Between: Jan. 1 and Dec. 31	Last year between: April 1 and Dec. 31 and this year between Jan. 1 and March 31
This Year Between: July 1 and Sept. 30	Last Year Between: April 1 and Dec. 31 and this year between Jan. 1 and March 31	Last year between: July 1 and Dec. 31 and this year between Jan. 1 and June 30
This Year Between: Oct. 1 and Dec. 31	Last Year Between: July 1 and Dec. 31 and this year between Jan. 1 and June 30	Last year between: Oct. 1 and Dec. 31 and this year between Jan. 1 and Sept. 30

Using the table on the previous page: If your benefit year begins in December of 2015, your base period is the four calendar quarters from July 1, 2014, through June 30, 2015. You can file a valid claim and start your benefit year in December only if, during your base period of July 1 through June 30, you were paid wages of at least \$1,600 for insured work, and outside your highest quarter of earnings you were paid at least \$440 for insured work. If you meet these base period wage requirements and start your benefit year in December, your weekly benefits and the total amount of benefits that can be paid to you during your benefit year depend on the amount of wages for insured work paid to you during your base period (July 1, 2014 through June 30, 2015). If you have been awarded temporary total disability under a workers' compensation act or other similar acts, your base period may be determined differently.

Unemployed individuals who lack sufficient wages to qualify for benefits using the standard base period may be eligible under an **alternate base period**. The alternate base period consists of the four most recent completed quarters. It is important to note that the alternate base period can only be used if the claimant is not monetarily eligible under the standard base period and not to increase a claimant's weekly benefit amount. Contact IDES Claimant Services at (800) 244-5631 for more information.

Total Weekly Benefits

Your weekly benefit amount is the amount of benefits you will be paid for any week in your benefit year if you are unemployed and meet all of the eligibility requirements (unless you have already exhausted all your benefits). The size of your weekly benefit amount depends on the amount of wages for insured work paid to you during the two calendar quarters of your base period in which your wages were highest.

In addition to your weekly benefit amount, if you have a dependent child or nonworking spouse you will receive an additional allowance for the dependent. A dependent allowance, if any, plus your weekly benefit amount equal the total amount payable for the week.

Regardless of how much you were paid in your two highest quarters, the total amount payable to you for a week cannot exceed a legislatively set maximum amount.

To confirm the calculation of your benefits, go to IDES.Illinois.gov and search for "benefit table".

Total Yearly Benefits

The total amount of benefits that can be paid to you during your benefit year is 26 times your weekly benefit amount plus an allowance for dependents or an amount equal to the total wages for insured work paid to you during your base period, whichever amount is less.

Partial Benefits–Part-Time Work

You may claim some benefits for a week if you work less than full-time because of lack of work. Your earnings for the week must be less than the weekly benefit amount (this amount does not include a dependent allowance) you would receive if you were totally unemployed for the week.

You must report all of your earnings from part-time work.

Figuring Partial Benefits

Partial benefits equal the difference between the part of your earnings that exceed 50 percent of your weekly benefit amount and your weekly benefit amount for total unemployment. If the partial benefit amount does not come to an even dollar, it is raised to the next higher dollar, provided it does not exceed your weekly benefit amount.

For example:

If your weekly benefit amount (not including dependency allowance) is	\$110.00
50% of that amount is	\$55.00
If your earnings are	\$76.50
The amount that exceeds 50% of your weekly benefit amount is	\$21.50
The difference between your weekly benefit amount	\$110.00
And the amount of your earnings that exceeds 50% of your weekly benefit amount	\$21.50
Gives you a partial benefit amount of	\$88.50
Raised to the next highest dollar	\$89.00

Note: The full amount of holiday or vacation pay will be deducted from your weekly benefit amount. Also, remember that any spouse or dependent child allowance will be added to your WBA.

Interstate Benefits

If you lived and worked in Illinois, but now reside elsewhere, you can still file a claim for benefits against Illinois. You may file from any other state, from the District of Columbia, Puerto Rico, the Virgin Islands or Canada.

File your claim online at IDES.Illinois.gov. If you need assistance, call IDES Claimant Services at (800) 244-5631.

When you file your claim against Illinois, Illinois will determine what benefits you will receive if you are eligible. Correspondence concerning your claim will be sent to you by mail. You must meet all of the

requirements of Illinois law no matter where you file your claim, and the final decision on your claim will be made by Illinois.

You must register for work in the state in which you reside. Refer to that state's website for registration requirements.

Combined Wage Claim

A nationwide arrangement exists that allows you, under certain circumstances, to combine the wages you have earned in more than one state either to qualify you for benefits or to increase your benefits.

If you have worked in other states during the past two years, you will need to provide ALL of your employment information, including addresses, phone numbers, start dates and last day worked when filing your claim in order to determine what type of claim is best for you.

United States Government Employees

If you have worked as a civilian employee of the federal government during the last two years, you may be eligible for unemployment insurance benefits based on government wages you were paid.

File your claim and register for work online at [IDES.Illinois.gov](https://www.ides.gov). If you need assistance, call IDES Claimant Services at (800) 244-5631 or visit an IDES office. You will need to submit copies of your Standard Form 8 and Personnel Action Form 50 or other documents that prove that you worked for the federal government. Documentation should be faxed to the IDES Document Processing Unit at (217) 557-4913, or it may be delivered to an IDES office.

Wages paid to you by the federal government as a civilian employee qualify you for benefits under the state unemployment insurance act just as if the wages were paid by a private employer that contributes to the unemployment insurance fund of that state.

Federal civilian service and wages are assigned to the state in which your last official duty station was located. However, if you had covered employment (i.e., employment for which your employer contributed to the unemployment insurance fund) with a non-federal employer in a state other than the state in which your last official duty station was located, your federal civilian service and wages will be assigned to the state in which you worked in non-federal employment after leaving federal service. The service and wages are assigned to the state whenever you, following your separation from federal civilian service, establish an unemployment insurance claim on which benefits may be paid. That particular state then has control over all of your federal civilian service and wages.

All state laws provide the right of appeal to a claimant who is denied benefits for any reason. In most matters your appeal rights are the same as those of any other claimant in the state. However, federal law provides that determinations of federal service and duty station given by the federal agency shall be conclusive.

If you believe that the information reported by your federal agency is incorrect, you have the right to request a review by that agency. Appeals or requests for reconsideration should be sent by fax to (217) 557-4913 or made at the nearest IDES office.

U.S. Military Veterans

As an ex-serviceman or woman, you have potential reemployment rights with your pre-service employer. Applications for reemployment, however, must be filed within a certain time period after completion of military service. If you need further assistance concerning protection of these rights, contact the Veterans Employment and Training Service of the U.S. Department of Labor at (312) 793-3433.

If you had active federal service in the armed forces, you may be able to receive unemployment insurance benefits based upon the pay and allowances applicable to your pay grade at the time of separation from active military service.

To qualify for unemployment insurance benefits, you must have been discharged or released from the armed forces under honorable conditions and, if an officer, you must not have resigned for the good of the service.

File your claim and register for work online at [IDES.Illinois.gov](https://www.ides.illinois.gov). If you need assistance, call IDES Claimant Services at (800) 244-5631 or visit the nearest IDES office. You will need to submit a copy of your DD Form 214. Required documentation should be faxed to the IDES Document Processing Unit at (217) 557-4913, or it may be delivered to an IDES office. You will need to report all civilian employment, if any, during the last two years.

Federal law requires that military service and wages be assigned to the state where you first file a claim for unemployment insurance benefits following separation from active military service. Once assigned, all federal military service and wages remain assigned to that state.

The assignment of your military service and wages is by the Federal Claims Control Center, operated by Lockheed Martin Information Technology, in order to avoid any duplication of assignment by some other state. A duplication of assignment of your service and wages will result in a delay of payment to you. Therefore, if you have filed a claim (regardless of whether or not you received any benefit payments) in another state since your separation from the armed forces, be sure to respond correctly to the question about filing in another state when filing your claim online.

Your benefit payments are based on your military wages, which are determined by a schedule of remuneration established by the U.S. Secretary of Labor. This schedule contains the dollar equivalent broken down to daily, weekly and monthly rates for each pay grade in the armed forces. Your pay grade at the time of separation from active duty will determine your benefit amount.

Your benefit rights will be determined by the law of the state in which you first file a claim for unemployment insurance and establish a benefit year after your last separation from active military service. To establish a benefit year, you must have had a certain amount of active service in the armed forces within the base period applicable to that benefit year (see page 14). If your first claim establishing a benefit year is filed in Illinois, you must comply with all the requirements of Illinois law. In addition, federal law provides that your benefits

cannot begin during a period for which you are receiving federal subsistence allowances under the Vocational Rehabilitation Act or educational assistance under the War Orphans' and Widows' Educational Assistance Act.

All state unemployment insurance laws provide the right of appeal to a person who is denied benefits for any reason. In most matters, your appeal rights are the same as those of any other claimant in your state. However, federal law provides that the appropriate federal agency's determination of your active military service, your pay grade at the time of discharge or release from active military service and the type of discharge or release you received from such service shall be final and conclusive. If you believe that the information on your separation document is incorrect, you may ask for a review by the appropriate federal agency.

Appeals or requests for reconsideration may be faxed to the designated fax number on your Determination or Decision, or filed at the nearest IDES office.

Trade Assistance Benefits

Workers who lose their jobs or who experience reduced work hours and wages as a result of increased imports or the shifting of their jobs abroad may qualify for additional benefits under the Trade Reform Act of 2002, 2009, 2011 or 2015. (The worker group must be certified as eligible by the federal Department of Labor.)

The benefits administered by IDES include income support, the Health Coverage Tax Credit and alternate trade assistance for older workers.

Individuals should contact the IDES Trade Unit at (217) 785-5792 for more information.

Profiling and Referral to Reemployment Services

In accordance with federal law, all unemployment insurance claimants are profiled, based on various work-related characteristics, to determine the likelihood that they will exhaust all of their benefits and may need extra help in finding work. These individuals may then be referred for more intensive reemployment services. These services include a personal assessment of your needs and recommended activities to enhance your job search, such as resume writing, interviewing tips and referral to available training or local job clubs.

If you are referred to reemployment services and you refuse to participate without good reason, you can be denied benefits until you agree to participate.

Report Your Return to Work IMMEDIATELY!

Employers are required to report all new hires to IDES. These reports are used to identify individuals who are collecting unemployment insurance benefits after they have returned to work. Failure to report your return to work or all gross wages earned during weeks covered by your certification will result in an overpayment of benefits, and potentially a determination of fraud that entails penalty weeks, comptroller's offset of state payments (such as state income tax refunds and lottery winnings) and prosecution for state benefits fraud.

Final Tips for Filing

Remember to do the following to ensure that your unemployment insurance application is processed smoothly.

1. Always provide your name, address and Social Security number or Claimant ID whenever you communicate with IDES staff.
2. Certify on your assigned day.
3. Continue to certify even if an issue is being adjudicated.
4. Be available at the time of any scheduled telephone interview.
5. Be patient awaiting your first benefit payment. IDES pays benefits in a timely manner. After that, benefit payments should occur every two weeks, as long as you remember to certify your claim on your assigned day.

Benefits May Be Taxable

Your unemployment insurance benefits may be fully taxable on your state and federal income tax returns. The Tax Reform Act of 1986 amended the law to make unemployment insurance benefits taxable if you are required to file a state or federal tax return. You may elect to have federal and/or State of Illinois income taxes deducted and withheld from your unemployment insurance benefit payments. Deductions are made at predetermined levels: 10% for federal income tax and 4.95% for state income tax.

If you do not elect to have federal and/or State of Illinois income taxes deducted and withheld from your unemployment insurance benefit payments, you may be required to make estimated tax payments using Internal Revenue Service Form 1040ES and the Illinois Department of Revenue form, IL 1040ES. IDES will provide you with IRS Form 1099-G, a statement of benefits paid to you at the end of each calendar year.

If you elect to have federal and/or State of Illinois income taxes deducted and withheld from your unemployment insurance benefit payments, the Form 1099-G will reflect the total amount deducted and withheld for that calendar year. The Internal Revenue Service and Illinois Revenue Department will be given the same information.

Your Social Security Number Is Required

You will be asked to furnish your Social Security number on the claim forms given to you. Your Social Security number is solicited under the authority of the Internal Revenue Code of 1986 [26 U.S.C. 85, 6011(a), 6050B and 6109(a)]. Disclosure of your Social Security number for this purpose is mandatory, and it must be entered on the forms you submit to claim unemployment insurance benefits. The validity of the Social Security number you provide will be verified with the Social Security Administration.

Your Social Security number will be used to report your unemployment insurance benefits to the Internal Revenue Service as income that is potentially taxable. It will also be used as a record index for processing your claim for statistical purposes and to verify your eligibility for unemployment insurance and other public assistance benefits. ***Should you decline to disclose your Social Security number, your claim for unemployment insurance will not be processed.***

Nondiscrimination

IDES is an equal opportunity employer and complies with all state and federal nondiscrimination laws in the administration of its programs. Auxiliary aids and services are available upon request to individuals with disabilities. Contact your IDES office manager or the IDES Equal Opportunity Officer at (312) 793-9290 or TTY (888) 340-1007.

Claimant Services:

TTY: (866) 488-4016

Voice: (800) 244-5631

Tele-Serve:

Voice: (312) 338-4337

Illinois Relay Service:

TTY: (800) 526-0844 or 711

Voice: (800) 526-0857 or 711

APPENDIX N

NEWS

Coronavirus in Ohio: Self-employed, part-time workers can now apply for unemployment

Jessie Balmert Cincinnati Enquirer

Published 12:48 p.m. ET May 13, 2020

COLUMBUS - After weeks of waiting, self-employed workers can apply for unemployment approved by the federal stimulus package.

Ohio Department of Job and Family Services started accepting applications from self-employed workers, 1099 tax filers and part-time workers on Tuesday. The first payments will go out this weekend, Director Kimberly Hall told reporters Wednesday.

About 210,000 Ohioans who preregistered for benefits received an email Tuesday informing them that they could apply for benefits. As of Wednesday morning, 84,000 people had submitted claims and 15,000 had been approved for payment, Hall said.

Those who preregistered for Pandemic Unemployment Assistance or PUA must now apply for benefits by uploading tax information and other details then submitting their applications.

[Most of The Enquirer's coverage of the new coronavirus is being provided for free to our readers. Please consider supporting local journalism by subscribing to The Enquirer at [cincinnati.com/subscribe](https://www.cincinnati.com/subscribe)]

All benefits are retroactive to the date a person lost their job because of the novel coronavirus, as far back as Feb. 2. The additional \$600 per week is available from March 29 through July 25.

Those who are eligible can receive benefits for up to 39 weeks but not past Dec. 26.

Unlike "regular" unemployment, there is no minimum income requirement. Those who qualify for regular unemployment benefits are not eligible for this alternative.

Anyone applying for PUA who was denied regular unemployment because of penalty weeks should contact the call center at (833) 604-0774.

Waiting game

Congress expanded unemployment benefits to self-employed workers and part-time employees as part of the federal stimulus package passed late March.

Since then, those workers have been waiting for Ohio Department of Job and Family Services to set up a system to access those payments.

Ohio was one of the last states to get its system up and running, according to an analysis from Money.com. States, such as Kentucky and Pennsylvania, have offered those payments for weeks.

For freelance workers and self-employed individuals trying to make ends meet during a health crisis, those delays could be overwhelming.

"My heart goes out to them," Hall said. "I wholeheartedly understand how challenging that can be."

Who loses unemployment during a pandemic?

The Ohio Department of Job of Family Services is working to define who should lose unemployment benefits for not returning to work. In the meantime, no one is losing benefits for refusing to return to work because of health concerns or lack of child care.

"None of us really contemplated the interrelationship between a pandemic and the resulting economic crisis that it could generate so we don't have, right now, an unemployment system that is responsive to pandemic-related issues," Hall said. "No unemployment benefits are being terminated at this time if an individual refuses to return to work until we articulate those policies."

APPENDIX O

Indiana Unemployment Insurance
CLAIMANT FREQUENTLY ASKED QUESTIONS for COVID-19 work-related issues

Updated March 26, 2021

(updates noted in red)

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Indiana Unemployment Insurance

CLAIMANT FREQUENTLY ASKED QUESTIONS for COVID-19 work-related issues

The below questions and answers are based on the CARES Act, the Continued Assistance Act and the President's and Governor's Executive Orders.

SECTION A

HOW DO I FILE?

Q1. How do I file for unemployment insurance (UI) benefits?

A1. Online, using a computer or smart phone. Go to www.Unemployment.IN.gov to file, and to see Frequently Asked Questions, the Claimant Handbook, and video tutorials. If you **do not** have access to a computer or smart phone to file for UI, you can use our file by phone number. If you use this service, you will not have access to a UI account in the Uplink system and all UI information must be obtained through the file by phone system: 1-800-298-6650.

Q2. What information do I need when I apply for unemployment insurance (UI) benefits online?

A2. You will need the following information to file:

- A valid email account – your email address will become your Username;
- Your personal information, including your:
 - Indiana Driver's license or Indiana ID card;
 - Address;
 - Social security number (SSN);
 - Date of birth; and
 - Phone number.
- Information about your last employer, including:
 - Employer's name/company name;
 - Employer's mailing address; and
 - Employer's phone number.
- Information about your employment, including your:
 - Dates of employment; and
 - The reason you are unemployed.
- Your bank routing number and account number if you chose direct deposit as your payment option (*NOTE: a debit card - Key2Benefits prepaid MasterCard® - is also available*).

Q3: I have an Uplink Claimant Self-Service account, but I cannot log-in to file my claim or voucher because I forgot my username or password or have too many failed attempts to log in. What should I do?

A3: Visit the Uplink Claimant Self-Service home page and choose "Forgot Username" or "Forgot Password" to reset it yourself. You will be prompted to enter your SSN, date of birth, and other information to confirm your identity. You will then be able to create a new username or password. If you attempted to log in and reach 5 failed attempts, you will get a message that requires you to click on "forgot password" to reset their account. You should not continue to enter your password. You should instead follow the on-

Indiana Unemployment Insurance

CLAIMANT FREQUENTLY ASKED QUESTIONS for COVID-19 work-related issues

screen instructions. If you do continue to enter your password, your account will be revoked. The account will automatically reset in 24 hours and you will then need to follow the forgot passwords instructions.

Q4. What do I do if the system freezes and will not let me to proceed through filing my initial claim or voucher?

A4. Please try these recommended tips before reaching out to the DWD Contact Center for assistance:

- 1) Be sure you do not have the Uplink CSS application open on any other Web Browsers or Tabs
- 2) Refresh the page (ctrl + F5)
- 3) Clear the cache on your internet browser (click link below for instructions)
 - [How to clear Cache](#)
- 4) Change your browser to Internet Explorer (IE) to access Uplink

Q5. I am a New User to Uplink Claimant Self-Service and completed the registration process. What do I do next?

A5. As part of the registration process, DWD will send you an “Email Account Verification” link to the email address you provided. This can take several hours to receive depending on the number of other new users also registering. Once you receive the email, you will be able to complete the registration process and file a claim after clicking on the “Confirm Email” provided in the email. If you enter an invalid email address, you will need to wait 24 hours to re-enter your correct email address and finish the registration process.

Q6. If I live in one state but work in another or work in multiple states, which state do I file in?

A6. Generally, you should file your claim with the state where you worked. If you work in more than one state, you should file where your employer filed your wages. If you worked for more than one employer in different states, file where you primarily worked. If you file in the other state, it could take longer to obtain your wages to fully review the claim. If you did not work in Indiana at all, you should not file in Indiana.

AM I ELIGIBLE FOR REGULAR UNEMPLOYMENT INSURANCE?

Q1. If my employer temporarily shuts down or lays me off because of COVID-19, will I be eligible for unemployment insurance (UI) benefits?

A1. Yes, if an employer must lay off employees due to COVID-19, the employees will be eligible for unemployment insurance (UI) benefits if they have earned enough wages to set up a claim and meet the weekly eligibility criteria. Employees **must** stay in contact with your employer and be available to work when called back by your employer.

Q2. If I am in quarantine based on a directive from my medical professional or my employer due to COVID-19, will I be eligible for unemployment insurance (UI) benefits?

A2. Yes, if you are not receiving sick pay or other leave pay from your employer, meet the minimum amount of wages, and the reason you are out-of-work is because of the medical quarantine, you will be eligible under Governor Holcomb’s Executive Order during this public health emergency.

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Q3. If I cannot continue to work because I am caring for my child (or children) while their school or daycare is closed due to COVID-19, am I still eligible for benefits?

A3. No, but you may be eligible for Pandemic Unemployment Assistance (PUA). See below for more information.

Q4. If I am compensated partially by tips, such as in the restaurant industry, will I be eligible for unemployment insurance (UI) benefits?

A4. If you are laid-off or have lost work related to COVID-19 and you meet the minimum amount of wages, then yes, you will be eligible. However, whether you meet the minimum amount of wages will probably depend upon how your employer reported your earnings to DWD in their quarterly reports. If your employer reported tips as part of your wages, then those tips are included in your base period wages. If your employer did not report tips as part of your wages, it is possible you will not meet the minimum. If you receive a DWD determination that you do not meet the minimum amount, you can appeal that determination and request that DWD include your records of your tipped wages. If you have sufficient documentation, then your base period wages can be recalculated. Documents that will be considered include pay stubs, W2, or any other type of documentation of payment from your employer. Sometimes a record of cash deposits to a bank account may be considered if no other evidence is available. If you do not have wages to set up an unemployment insurance claim, then you may be eligible for Pandemic Unemployment Assistance (PUA). See below for more information.

Q5. If my hours are reduced but I am still employed, can I apply?

A5: Yes, you may be eligible for benefits, but part-time employment during the week claimed will reduce the amount of benefits paid for that week. To find out if you are eligible, start your application for benefits as soon as you know that your hours are being reduced. If you do work while receiving benefits, you **must** report any money you earned on the voucher **for the week you worked** (not the week you ultimately get paid for the work). Failure to report money you earned is fraud and can result in denial of benefits, collections actions, and criminal prosecution. If you earned wages from a Base Period Employer (see your Monetary Determination of Eligibility), then a dollar-for-dollar deduction will be taken from your Weekly Benefit Amount (WBA). If you earned wages from an employer who is NOT on your Monetary Determination of Eligibility or in your Base Period, then the following calculation applies. If you earn 20% or less of your WBA from an employer that is not listed on your Monetary Determination of Eligibility, no deduction will be made from your benefit payment. If you earn more than 20% of your WBA from an employer that is not listed on your Monetary Determination of Eligibility, a dollar-for-dollar deduction will be made from your benefit payment for all wages earned in excess of 20% of your WBA. If you work odd jobs for anyone other than your base period employer(s), a dollar-for-dollar deduction will be made after an amount equal to 20% of your weekly benefit amount has been earned.

Q6: If I decide to remain at home because of a fear of COVID-19 with no directive from a medical professional or from my employer to do so, will I be eligible for unemployment insurance (UI) benefits?

A6: In most cases, no. You **may** be eligible for Pandemic Unemployment Assistance (PUA).

Q7: If I am not working due to COVID-19 and am receiving sick pay or other leave pay from my employer, will I be eligible for unemployment insurance (UI) benefits?

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A7: Individuals receiving sick pay or other leave pay are not eligible for regular unemployment insurance (UI) benefits. However, the facts of each circumstance are important. You can file and DWD will evaluate your claim. If you are no longer receiving sick pay or other leave pay, you may be eligible for unemployment insurance benefits or for Pandemic Unemployment Assistance (PUA) and should apply.

Q8. If I am paid a bonus during the period of separation, will I be eligible for UI benefits?

A8. Maybe. If you receive payments from your employees while you are collecting UI, you may have to declare the payment as deductible income. Sick pay, vacation pay, severance pay, payment in lieu of notice, and holiday pay are all deductible income, and you must report it. Bonuses are wages for your employer’s tax purposes, but bonuses are not deductible income for UI benefits, thus it does not impact your UI benefits.

Q9. If I am self-employed, part of the “gig” economy or do not have sufficient work history to qualify for unemployment insurance benefits but am not able to work due to COVID-19, will I be eligible for unemployment insurance benefits?

A9. No, you will not be eligible for regular unemployment insurance benefits but may be eligible for PUA. See below for more information.

Q10. What is the amount of wages I must earn to meet the minimum eligibility for unemployment insurance (UI) benefits?

A10. If you have not earned enough wages to meet the minimum eligibility, then you will not be eligible. This is determined by how much money you earned while working during your *base period*. Your base period includes the first four of the last five completed calendar quarters before the week you file an initial claim application for UI benefits.

Quarter 1 of 2020	Quarter 2 of 2020	Quarter 3 of 2020	Quarter 4 of 2020	Quarter 1 of 2021	File Date:
Base Period Wages	Base Period Wages	Base Period Wages	Base Period Wages	Lag Quarter	Between 04/04/2021 and 07/04/2021

The wages you earned during your base period are used to determine if you qualify for benefits and to calculate how much you can be paid. The last quarter you worked is called the lag quarter, and no wages from that quarter count in your base period.

To meet the minimum eligibility for UI, your total wages during your base period must be equal to at least one and one-half (1.5) multiplied by your wages in the highest quarter of your base period. Your base period wages must also total at least \$4,200, with at least \$2,500 of those wages earned in the last six (6) months of the base period. For an example of this calculation, review pages 7-8 of the Claimant Handbook, found at https://www.in.gov/dwd/files/Claimant_Handbook.pdf

We understand this is a complicated calculation, so the easiest way to find out if you meet the minimum eligibility is to file your claim immediately upon being laid-off and we will complete a wage calculation as part of your application process and notify you whether you met the minimum amount.

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SECTION B

PANDEMIC UNEMPLOYMENT ASSISTANCE (PUA)

Q1. What is Pandemic Unemployment Assistance (PUA)?

A1. PUA is a temporary federal unemployment insurance program for individuals not otherwise eligible for UI benefits, including the self-employed, those seeking part-time employment, individuals lacking sufficient work history (i.e. they do not have sufficient wages to establish a regular UI claim), and those who otherwise do not qualify for regular UI. PUA is not payable to individuals who can telework with pay or who are receiving paid sick leave or other paid leave benefits. Under the Continued Assistance Act, you must submit proof of employment to be eligible for payments of PUA made after Dec. 27, 2020. This applies regardless of the week being paid. For example, if you are being paid on January 10, 2021, for a week of PUA in late November, you will be required to submit proof of employment. More information on what documents are acceptable and the penalty for not submitting documentation is in a below FAQ.

Q2. What makes someone eligible for PUA?

A2. Individuals must provide self-certification that the individual is otherwise able and available to work except that the individual is unable to work because of the following circumstances which all relate to COVID-19:

- The individual has been diagnosed with COVID-19 or is experiencing symptoms of COVID-19 and is seeking a medical diagnosis; or
- A member of the individual's household has been diagnosed with COVID-19; or
- The individual is providing care for a family member or a member of the individual's household who has been diagnosed with COVID-19; or
- A child or other person in the household for which the individual has primary caregiving responsibility is unable to attend school or another facility that is closed as a direct result of the COVID-19 public health emergency and such school or facility care is required for the individual to work; or
- The individual is unable to reach the place of employment because of a quarantine imposed as a result of the COVID-19 public health emergency; or
- The individual is unable to reach the place of employment because the individual has been advised by a health care provider to self-quarantine due to concerns related to COVID-19; or
- The individual was scheduled to commence employment and does not have a job or is unable to reach the job as a direct result of the COVID-19 public health emergency; or
- The individual has become the breadwinner or major support for a household because the head of the household has died as a direct result of COVID-19; or
- The individual must quit their job because of COVID-19; or
- The individual's place of employment is closed because of COVID-19; or the individual is self-employed, seeking part-time employment, does not otherwise qualify for benefits, and fits one of the above.

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- The individual was denied continued unemployment benefits because the individual refused to return to work or accept an offer of work at a worksite that, in either instance, is not in compliance with local, state, or national health and safety standards directly related to COVID-19. This includes but is not limited to, those related to facial mask wearing, physical distancing measures, or the provision of personal protective equipment consistent with public health guidelines.
- The individual provided services to an educational institution or educational service agency and is unemployed or partially unemployed because of volatility in the work schedule that is directly caused by the COVID-19 public health emergency. This includes, but is not limited to, changes in schedules and partial closures.
- The individual is an employee and the individual's hours have been reduced or the individual was laid off as a direct result of the COVID-19 public health emergency.

Q3. How do I apply for PUA?

A3. To apply for PUA benefits, you must first file a regular claim for unemployment insurance benefits. Instructions on how to add your employer can be [found here](#). If you are denied, the PUA application will then appear on your claimant home page as a “To-Do” at the top of the screen for you to submit you PUA application. You must submit this application and answer all questions accurately in order to be eligible for PUA benefits. NOTE: UI is evaluated each quarter. We need to ensure you are not eligible for regular UI in the most recent quarter.



Q4. Do I need to file something each week to get paid under the PUA program?

A4. Yes, just like a regular unemployment insurance claim, you need to file a weekly voucher in order to receive benefits for the week. You must answer all questions honestly. Those answers will be evaluated to determine if you continue to have eligibility for PUA.

Q5. What documentation do I need to provide to have my weekly benefit amount increased above \$149?

A5. When you file your PUA application, you will be asked if you filed your taxes with the State of Indiana. If you have, you will need to enter your federally adjusted gross income from your tax return, even if you have filed your taxes jointly with another person. If you have not filed your state taxes, you will need to enter your earnings. To do so, you will need to collect all W-2's, 1099's, and pay stubs. You will need to add them together to determine the amount that you should enter as earnings on your PUA application. If you filed as a single tax filer, DWD will use your tax return to calculate your benefit amount. If you filed as married filing jointly or did not file your taxes, you will receive the minimum

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weekly benefit amount of \$149. Once you receive your PUA Monetary Determination form, you will be able to submit documentation of your income via the Uplink system. You only need to submit this documentation if you disagree with the wage amounts, have missing wages in the chart of wages, or would like to provide other proof of your earnings. On your claimant homepage, go to the Claims section, click on the BYE date next to the open PUA claim. You can then click on “DWD Secure File Exchange” and then “Add File” to upload your documents.” Acceptable documentation of wages earned or paid includes, but is not limited to, state tax return (line 1 of your state return titled Federal AGI) or federal tax return (Form 1040), pay check stubs, bank receipts, business records, ledgers, contracts, invoices, and billing statements. You have until 03/13/2021 to provide proof of earnings, but we can accurately calculate your weekly benefit amount if you provide them as soon as possible. NOTE that for self-employed, DWD must use your NET wages per the US Department of Labor when deciding your Weekly Benefit Amount (WBA). Others who are not self-employed must report GROSS wages.

Q6. I have not been able to work for months, how do I get paid under PUA for all the time I have been unemployed due to COVID-19?

A6. When you apply for PUA, you should answer all questions honestly and enter the date in which COVID-19 first affected your ability to work. Under the CARES Act, the first payable week of PUA was February 2, 2020. That program ended December 26, 2020. For new PUA applications on or after December 27, 2020, PUA is payable as of **December 6, 2020**. All PUA payments will be audited to prevent identity theft and prevent fraud in the PUA program. A “Job Attachment” issue may be generated if you request to backdate your unemployment claim and more information is needed to verify employment at the date of impact. To resolve a Job Attachment issue, claimant should visit www.unemployment.in.gov, click on “Forms and downloads,” and download State Form 57024 (PUA Job Attachment Documentation). This form must be filled out completely with the requested supporting documentation and mailed or faxed to the department. Failure to return the form and the supporting documentation to the department could result in an investigation of you claim and/or suspension of benefits that results in an overpayment on you claim.

Q7. How do I apply for PUA under the Continued Assistance Act **or under the American Rescue Plan Act** if I was receiving PUA under the CARES Act?

A7. **If you were filing for PUA on or before Dec. 26, 2020, there was no new PUA application to continue benefits under the Continued Assistance Act. If you were filing for PUA on or before March 13, 2021, there is also no new PUA application to continue benefits under the American Rescue Plan. Continue to file your weekly voucher for the PUA program if you remain unemployed. You will also need to complete the To-Do on your Claimant Homepage to File a New UI Claim as this is required at each quarter change. The new PUA benefits under the Continued Assistance Act were only available for weeks ending on or after December 27, 2020. The new PUA benefits under the American Rescue Plan Act are only available for weeks ending on or after March 20, 2021.**

Q8. If I am eligible, how many weeks of payments can I receive?

A8. **Through the CARES Act, the PUA program initially ended on December 26, 2020. With the Continued Assistance Act, PUA was extended with new requirements for 11 weeks or a total of 50 weeks, ending on March 13, 2021. With the American Rescue Plan Act, PUA was further extended 25 weeks, for a total of 75 weeks, ending on Sept. 4, 2021. This means that the maximum amount of benefits available under the PUA program is 75 weeks. Any weeks in which you received regular unemployment insurance or Extended**

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Benefits (EB) since January 27, 2020 will be subtracted from this amount. For example, if you received 20 weeks of regular UI, then you would only have 55 weeks of PUA. Please note that the text of the ARPA legislation refers to 79 weeks but has an expiration date of Sept 6, 2021. This would be a total of 75 weeks; the 79 weeks was an error in drafting

Q9. Does the PUA program expire?

A9. Yes. The PUA program expired on Dec. 26, 2020. The Continued Assistance Act made changes to the program, including a new expiration date of March 14, 2021. The American Rescue Plan Act restarted PUA effective week ending March 20, 2021, with an expiration date of Sept. 6, 2021. This means that the last payable week for PUA is week ending Sept. 4, 2021.

Q10. What if I am working some, but my hours are reduced?

A10. You will need to report any income earned each week you file, but if it's below a certain amount (specific to your individual claim), then you may still be eligible for some payment of PUA during the weeks you worked and earned wages. All individuals, self-employed and others, must report GROSS earnings on the weekly PUA vouchers.

Q11. What are next steps after I file my PUA application?

A11. FIRST STEP: Within the next few weeks, you will receive a document called the PUA Monetary Determination in your Claimant Correspondence in Uplink. This document will show the weekly benefit amount. Receiving the PUA Monetary Determination does not mean that you are eligible for PUA payments. Your weekly benefit amount is calculated based on the earnings you entered on your PUA application and tax information from the Indiana Department of Revenue. If you are married filing jointly or have not yet filed your tax return with the Indiana Department of Revenue, you will receive the minimum weekly benefit amount of \$149. Once you receive your PUA Monetary Determination form, you will be able to submit documentation of your income via the Uplink system to have the \$149 reconsidered. You only need to submit this documentation if you disagree with the wage amounts, have missing wages in the chart of wages, or would like to provide other proof of your earnings. On your claimant homepage, go to the Claims section, click on the BYE date next to the open PUA claim. You can then click on "DWD Secure File Exchange" and then "Add File" to upload your documents." Acceptable documentation of wages earned or paid includes, but is not limited to, state tax return (line 1 of your state return titled Federal AGI) or federal tax return (Form 1040), paycheck stubs, bank receipts, business records, ledgers, contracts, invoices, and billing statements. You have until **09/04/2021** to provide proof of earnings, but we can accurately calculate your weekly benefit amount if you provide them as soon as possible.

SECOND STEP: Under the Continued Assistance Act, you must submit proof of employment to be eligible for payments of PUA made after Dec. 27, 2020. This applies regardless of the week being paid. For example, if you are being paid on January 10, 2021, for a week of PUA in late November, you will be required to submit proof of employment. You will receive a notice on your claimant correspondence page if you are required to submit this documentation. More information on this new requirement, including what documents are acceptable and the penalty for not submitting documentation is in a below FAQ.

THIRD STEP: If needed, you may be contacted by a DWD Claims Investigator for additional information to determine your eligibility for PUA benefits. If you are found eligible, you will start receiving payments of

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your weekly vouchers. If you are not eligible, you will receive a PUA Eligibility Determination. If you disagree with that decision, you must follow the appeal instructions included on the determination.

Q12. What if I entered something incorrectly on my PUA application?

A12. When you receive your PUA Monetary Determination, follow the instructions on that document if you entered incorrect information on your PUA application.

Q13: I have a Job Attachment issue on my PUA claim. What does this mean and how do I resolve it?

A13. A job attachment issue is generated when a claimant has requested to backdate his/her PUA claim and more information is needed to verify employment at the date of impact.

To resolve this issue, claimants should visit www.unemployment.in.gov, click on "Forms and Downloads," and download State Form 57024 (PUA Job Attachment Documentation). This form must be filled out completely with the requested supporting documentation and mailed or faxed to the department. Failure to return the form and the supporting documentation to the department could result in an investigation of your claim and/or suspension of benefits that results in an overpayment on your claim.

Q14. I believe I am eligible for PUA. I am not self-employed or an independent contractor and have enough wages to set up a regular UI claim, but I have been denied regular UI for other reasons. Will I be able to apply for PUA?

A14. You can apply for PUA. DWD will review your application to determine if you are eligible.

Q15. Am I eligible for Pandemic Unemployment Assistance (PUA) after I exhaust UI, PEUC and EB (if EB is applicable)?

A15. An individual who moved through the [progression chart](#) (from regular UI to PEUC to EB) and continues to be unemployed has demonstrated a recent attachment to the labor force and may be eligible for PUA. Eligibility for PUA is based on the reason the individual is unemployed, partially unemployed, or unable or unavailable for the week in question. **It is important to note that one of the PUA eligibility reasons (discussed in the PUA Section above) must apply each week.** A general statement of not being able to find work is not one of the listed reasons. **Please note that weeks on UI and EB (for benefit weeks ending on or after 02/08/2020) will be subtracted from the 75 weeks, thus any weeks paid on UI or EB will count towards the 50 weeks of PUA. PEUC does NOT count towards the 75 weeks.**

Q16. Am I required to provide proof of employment or self-employment to be eligible for PUA?

A16. Yes. The Continued Assistance Act requires that you must submit proof of employment or self-employment or planned commencement of employment or self-employment for any PUA payments made on or after Dec. 27, 2020. If you do not submit the required documentation by the required date, you will not be eligible for PUA. An overpayment will be set up for any weeks paid for weeks ending after December 27, 2020.

Q17. What are the acceptable forms of proof of employment or self-employment?

A17. See below for the types of acceptable documentation. The documentation must be dated at some point between the start of the applicable taxable year and the date of filing. For example:

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- An individual filing a claim effective December 27, 2020, must submit documentation that substantiates employment or self-employment which occurred between January 1, 2019 (the start of the applicable tax year) and December 27, 2020.

An individual filing a claim effective January 3, 2021, must submit documentation that substantiates employment or self-employment which occurred between January 1, 2020 (the start of the applicable tax year) and January 3, 2021.

Proof of employment can include:

- paycheck stubs,
- earnings and leave statements showing the employer's name and address, and
- W-2 forms when available.

Proof of self-employment can include:

- State or Federal employer identification numbers,
- business licenses,
- tax returns,
- business receipts, and
- signed affidavits from persons verifying the individual's self-employment.

Proof of the planned commencement of employment can include:

- letters offering employment, and
- statements/affidavits by individuals (with name and contact information) verifying an offer of employment.

Proof of the planned commencement of self-employment can include:

- state or Federal employer identification numbers,
- written business plans, or
- a lease agreement.

Q18. How do I submit my documentation for proof of employment or self-employment?

A18. You **must** submit the required documentation through your Uplink Claimant Self-Service homepage. You should have a "TO DO" to upload the information through the Secure File Exchange. The "TO DO" will remain on your homepage until DWD resolves the issue. This will allow you to upload additional documents if needed. Do not upload multiple versions of the same documentation. If you do not have a "TO DO", then click on your **PUA claim** on your homepage, which will take you to details regarding your PUA claim and you will see the Secure File Exchange link. The only exception to using the Secure File Exchange is if you file by phone. If you file by phone, you can fax or mail the required documentation to DWD at the below address. You **must** attach the Notice of Requirement to Submit Proof of Employment or Self-Employment that can be found on your Uplink Correspondence page.

Q19. What if I do not submit the documentation timely or if the documentation does not prove employment or self-employment?

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A19. You will not be eligible for PUA. An overpayment will be set up for any weeks paid for weeks ending after December 27, 2020.

Q20. What if I cannot submit the documentation timely?

A20. If you cannot submit the documentation by the deadline, you can request an extension. You must have good cause. The request **MUST** be received before the deadline. **If you do not request an extension before the deadline or the request does not show good cause, you will not be eligible for PUA.** To request an extension, send an email to PUA@dwd.in.gov with this information:

- First and Last name
- Last 4 digits of your SSN
- Reason why you will not be able to provide documentation by the date above

You will be sent an email within 10 days informing you if your deadline has been extended. If you are granted an extension, the email will provide a new deadline.

Q21. What are the timeframes to submit my proof of employment?

A21. You will receive a notice on your Uplink correspondence page with the due date. Under the Continued Assistance Act, the documentation is due based on these guideline:

- Individuals filing a new PUA claim on or after Jan. 31, 2021 (regardless of whether claim is backdated) must provide documentation substantiating employment or self-employment **within 21 days** of application or when instructed by the state (whichever is later), or show good cause to have such deadline extended; and
- Individuals with an existing PUA claim who receive a payment of PUA on or after Dec. 27, 2020 (regardless of which week ending date is being paid) must provide documentation substantiating employment or self-employment **within 90 days** of application or when instructed by the state (whichever is later), or show good cause to have such deadline extended.

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SECTION C

PANDEMIC EMERGENCY UNEMPLOYMENT COMPENSATION (PEUC)

Q1. I exhausted my 26 weeks of regular unemployment insurance benefits. Am I eligible for PEUC?

A1. Unemployment benefits are typically available to eligible claimants for up to 26 weeks. With the federal CARES Act passage, unemployment benefits have been temporarily extended through a program referred to as Pandemic Emergency Unemployment Compensation (PEUC). PEUC payments originally ended with week ending December 26, 2020. The Continued Assistance Act increased the maximum amount of benefits available under the PEUC program for an additional 11 weeks (from 13 times your average weekly benefit amount to 24 times your average weekly benefit amount. The American Rescue

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Plan Act further extended PEUC benefits an additional 25 weeks, to a total of 49 weeks,¹ with the last payable week being week ending Sept. 4, 2021.

Q2. I believe I am eligible for PEUC, but I received a PUA application. What should I do?

A2. PEUC claims are created in Uplink when the claimant files a voucher on Sunday. The Uplink system determines whether the claimant meets the basic eligibility requirements to go to this claim level. If the regular UI claim exhausts before a PEUC claim sets up, a PUA application will be generated. If you do not believe you are eligible for PUA, you can continue filing your weekly voucher and see if the PEUC claim establishes. If it does not, you should file the PUA application. You can also file the PUA application right away as it will not slow down PEUC benefits.

Q3. How much will I receive in PEUC benefits?

A3. You will receive the same weekly benefit amount as your most recent regular UI claim. You will receive a monetary determination showing your weekly benefit amount.

Q4. How do I apply for PEUC under the Continued Assistance Act **or the American Rescue Plan Act?**

A4. There is no new PEUC application that must be filed to receive this benefit. Continue to file your weekly voucher for the PEUC program if you remain unemployed. You will also need to complete the To-Do on your Claimant Homepage to File a New UI Claim.

Q5. When do PEUC benefits begin under the Continued Assistance Act **and the American Rescue Plan Act?**

A5. PEUC initially ended on Dec. 26, 2020. PEUC benefits under the Continued Assistance Act may only be collected for weeks ending on or after Dec. 27, 2020 (so week ending Jan. 2, 2021) through week ending March 13, 2021. PEUC benefits under the American Rescue Plan may only be collected for week ending March 20, 21 through week ending Sept. 4, 2021. For example, if you had no remaining benefit under PEUC in November 2020, you will not be able to start collecting the benefits as of November. You will have a gap in payments until week ending Jan. 2nd when the new PEUC program begins. Also, if you had no remaining benefit under PEUC in Feb 2021, you will not be able to start collecting the benefits as of Feb. You will have a gap in payments until week ending March 20, 2021 when the new PEUC program begins (unless you are eligible for PUA during those weeks).

Q6. How long does PEUC last under the Continued Assistance Act and the American Rescue Plan Act?

A6. The PEUC program expired under the Continued Assistance Act with week ending March 13, 2021. With the American Rescue Plan Act, PEUC now expires Sept. 4, 2021.

Q7. I was actively filing for PUA week ending 12/26/20 but previously had a PEUC claim. Which program would I be eligible for under the Continued Assistance Act? **OR** I was actively filing for PUA week ending 3/13/21 but previously had a PEUC claim. Which program would I be eligible for under the American Rescue Plan Act?

¹ Please note that the text of the ARPA legislation refers to 53 weeks but has an expiration date of Sept. 6, 2021. This would be 49 weeks; the 53 weeks was an error in drafting.

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A7. You may only collect PUA if you have exhausted any entitlement to PEUC (e.g., used up your benefits). Because of the additional PEUC benefits available, you are no longer eligible to receive PUA. If you continue to be unemployed or partially unemployed, you will automatically be moved to your existing PEUC claim. Note that your PEUC claim may have a different weekly benefit amount because the program uses a different look-back period for your prior earnings. When you file your weekly vouchers, add employment history for any employment you have had after the last voucher you filed. If you later exhaust benefits under the PEUC program and continue to be unemployed, partially unemployed, or unable or unavailable to work because of COVID-19, you may be eligible to resume collection of your existing PUA benefits if the PUA program is still in effect.

Q8. I was receiving PEUC benefits but had to file a new UI claim. The new UI claim opened with a lower WBA than the PEUC claim. Can I stay on the PEUC claim?

A8. You will stay on the PEUC claim if:

- The UI claim your PEUC is based on expired on or after 12/27/2020 and,
- You are eligible for benefits and,
- The newly filed UI claim has a WBA that is at least \$25 less than your PEUC claim WBA.

Each week, we identify claimants who meet these requirements. If you are one of these claimants and will be staying on PEUC, DWD will send you an email when your vouchers have been moved back to the PEUC claim. In the meantime, continue to file vouchers each week.

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SECTION D

FEDERAL PANDEMIC UNEMPLOYMENT COMPENSATION (FPUC)

Q1. Am I eligible for the additional CARES Act federal pandemic unemployment compensation (FPUC) benefits?

A1. If you are eligible for regular UI, PEUC, Extended Benefits (when they are available), or PUA, you will receive the additional FPUC payment. There is no application. FPUC was initially in the amount of \$600 effective from week ending April 4, 2020, to week ending July 25, 2020. With the Continued Assistance Act, FPUC was reinstated at \$300 a week effective week ending January 2, 2021, to week ending March 13, 2021. **With American Rescue Plan Act, FPUC is available from week ending March 20, 2021 to week ending Sept. 4, 2021.** The FPUC benefit is taxable and is subject to child support withholding.

Q2. How do I get the additional FPUC payment each week?

A2. The additional weekly payment will automatically be applied to any eligible payments. There are no additional steps you need to take.

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SECTION E

WHAT HAPPENS AFTER I FILE FOR UNEMPLOYMENT INSURANCE BENEFIT?

Q1. I filed a claim, and the Uplink online system shows that I have an issue holding my payments. What does that mean?

A1. This means that your claim or voucher needs further analysis. This could be due to your earnings, your answers during filing, information from your employer, or information from other sources. Do not be worried. This is the normal process for many claims. A DWD Claims Investigator may have to contact you and/or your employer for more information. They also may be able to make a determination without contacting you. Under normal circumstances, decisions are typically made within 21 days but due to the high volume of claims, it could take longer to review claims that have issues that need to be reviewed. Common issues are:

- **Deductible Income** – the department received information that the claimant received some type of income from his/her employer during the week at issue, such as payments from employment, vacation, sick, or other paid time off.
- **Employed Full Time** – We have received information from the employer or the claimant that indicates the claimant is employed either full or part-time.
- **No Reasonable Assurance or School Worker** – The claimant was a school employee or had school wages reported during the base period. There are state and federal guidelines requiring analysis on under these circumstances.
- **Not A&A or Availability** – The agency received information that the claimant was not able and available to accept full time work that week.
- **Other Discharge** – The agency received information that the claimant was discharged from their job for a non-specific reason.
- **Temporary Service** – The agency received information that the claimant worked for a temp service.
- **Work Performance** – The agency received information that the claimant was discharged from a base period employer for work performance issues.
- **Work Refusal** – The agency received information that the claimant was offered work and refused the offer of employment.
- **Gross Misconduct** – The agency received information that the claimant was discharged for a reason that is legally defined as gross misconduct.
- **Personal Reasons** – The agency received information that the claimant had quit their job.
- **Job Attachment** - Claimant has requested to backdate their PUA claim and more information is needed to verify employment at the date of impact. See more information on how to resolve this issue under the PUA FAQ section below.
- **Eligibility** – The agency received information on a PUA claim that needs additional investigation to determine if the claimant is eligibility for PUA.
- **PUA Multistate Verification** – The agency received information on a PUA claim that the claimant worked or filed taxes in another state in the last two years.

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- **PUA Earnings Verification** – This issue does not hold payment; it allows a claimant to provide proof of earnings to adjust their PUA weekly benefit amount (WBA).
- **Identity Verification** – The agency needs to verify your identity. You will have a TO DO item on your claimant homepage that says, “Identity Verification Needed.” Click on that link and it will walk you through the steps to verify your identity through ID.me. For instructions on how to use ID.me, [visit this page](#).
- **Claim Investigation issue** - more information is needed to verify details about eligibility for benefits. To resolve this issue, claimants should visit their Uplink homepage and download State Form 57031. This form must be filled out completely with the requested supporting documentation and mailed or faxed to the department. Failure to return the form and the supporting documentation to the department could result in an investigation of your claim and/or suspension of benefits that results in an overpayment on your claim.

Q2. Do I need to file anything else after the initial claim application for unemployment insurance (UI) benefits?

A2. Yes. You must file a voucher EACH WEEK through the Uplink online filing system and comply with the terms of the weekly vouchers to continue to be eligible for and receive benefits each week. You must submit your weekly voucher during the week following your initial application and then every week after for as long as you remain unemployed. You must file the weekly vouchers even if you have not received a determination regarding eligibility for benefits.

Q3. Is the one week waiting period for unemployment insurance benefits being waived?

A3. Yes. The one-week waiting period for payment of unemployment insurance (UI) was waived by the Governor’s Executive Order. The waiver is retroactive to the week of March 8, 2020. This means that benefits will be paid for the first week you are eligible.

Q4. When will I receive my first unemployment insurance (UI) payment?

A4. You should receive your first payment within three weeks if there are no issues with your initial claim application for benefits.

Q5. Am I still required to search for work or conduct reemployment activities during the pandemic?

A5. No, currently, due to the public health emergency, the requirement that claimants actively search for work each week that they receive benefits has been waived. However, claimants still must be “able and available for work.”

Q6. If I receive a "Check Stub Coversheet" asking me to send a copy of my pay stubs to DWD via mail or fax, but I do not have a fax machine, can I email these?

A6. You likely received a form called “Check Stub Coversheet.” If so, this is automatically sent to a claimant who might have a deductible income issue (you reported receiving vacation pay, sick pay or the like from your employer) on a regular UI claim. If you fax the information, then it goes to the DWD imaging department to be imaged under your claim. When it gets assigned to a DWD claims investigator, then they will have the information. If you don’t have access to a fax machine, then you can wait until the

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claims investigator contacts you. There is even a chance that the claims investigator won't need to contact you. You will not be penalized by not sending the pay stub information via fax.

Q7. How do I get paid if I am eligible?

A7. At the end of the claim filing process, you will make a payment election. You will be directed to Key Bank's website as Key Bank is the DWD payment vendor. You can choose between: (1) Direct Deposit to a U.S. checking/savings account, or (2) a Key2Benefits prepaid MasterCard. If you do not make a choice, you will receive a Key2Benefits prepaid MasterCard at the mailing address on file for you on CSS. As to when you will receive payment:

- Direct deposit: money will be deposited in the bank account provided within two business days **of the weekly voucher being approved.**
- Debit Card: money will be deposited on the Key2Benefits card within a day **of the weekly voucher being approved.**

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SECTION F

IDENTITY VERIFICATION, IDENTITY THEFT AND OTHER INFORMATION ON POSSIBLE FRAUD?

Q1. I have an "Identity Verification" issue on my claim. What does that mean and how do I resolve it?

A1. Due to the national fraud scheme that is occurring, DWD has taken some additional steps to verify claimant's identities. For your unemployment claim to move forward, DWD must verify your identity. To complete the identity verification process, click on the TO DO item on your claimant homepage that says, "Identity Verification Needed." Click on that link and it will walk you through the steps to verify your identity through ID.me which is a quick and secure identity verification process. For instructions on how to use ID.me, [visit this page](#). Once your identity is successfully verified and matches the records on file at DWD (which can take up to 72 hours to resolve in Uplink), we can move forward with any other issues on your claim that may be holding benefits. Continue to check your Uplink account regularly for the most current status. NOTE: Do not submit any other personal documentation through other means as this will only delay the resolution of your issue and subject you to potential theft by criminals.

Q2: What if I can't click the button to go to ID.me?

A2: You cannot verify through ID.me if you do not have an open claim. **You will need to wait until your claim is in open status** in order to complete identity verification. To check if your claim is in open status, look at the Claims section of your Claimant Homepage. Under the Claim Status column, you will see the word "Open". If you see "Deny", "Expired", or "Pending" you will not be able to access Identity Verification through ID.me. (See red box below for where to look)

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The screenshot shows the Claimant Homepage with the following elements:

- Buttons for "Confirmation History" and "Correspondence History".
- A red "TO-DO" arrow pointing to "File a New Unemployment Insurance Claim".
- A "PAYMENTS" table with columns: Benefit Week, File Date, Last Payment Date, Entitlement, Total Paid, and Additional Details.
- A "CLAIMS" table with columns: Claim Status, Program, BYE, Paid to Date, MBEA, WBA, and RBA.

Benefit Week	File Date	Last Payment Date	Entitlement	Total Paid	Additional Details
12/13/2020 - 12/19/2020	12/25/2020		\$0.00	\$0.00	Click here for additional details
12/06/2020 - 12/12/2020	12/18/2020		\$0.00	\$0.00	Click here for additional details
11/29/2020 - 12/05/2020	12/08/2020		\$0.00	\$0.00	Click here for additional details
11/22/2020 - 11/28/2020	11/29/2020		\$0.00	\$0.00	Click here for additional details
11/15/2020 - 11/21/2020	11/29/2020		\$0.00	\$0.00	Click here for additional details

Claim Status	Program	BYE	Paid to Date	MBEA	WBA	RBA
Deny	UI	10/02/2021	\$0.00	\$0.00	\$0.00	\$0.00
Deny	UI	07/03/2021	\$0.00	\$0.00	\$0.00	\$0.00
Deny	UI	05/15/2021	\$0.00	\$0.00	\$0.00	\$0.00
Expired	PUA	12/26/2020	\$2,235.00	\$5,811.00	\$149.00	\$3,576.00

Q3. What does it mean when my account is “revoked” or I have a message on my CSS home page that states there is a problem with my account and to call the contact center?

A3. Due to the national fraud scheme that is occurring, DWD has taken some additional measures to detect suspected fraud and locked certain accounts for suspicious activity. If you have a message that states there is a problem with your account, you should first ensure you do not have any to-do items on your homepage, including a request to verify your identity through ID.me. If you have resolved any outstanding to-do items and your account is still locked, please contact DWD at 1-800-891-6499 for more information on next steps.

If you have a message that states your account has been revoked and you are unable to login, please contact DWD at 1-800-891-6499 for information on next steps. Do not submit any personal documentation to DWD unless specifically requested as this will only delay the process and subject you to potential theft by criminals. See DWD’s latest fraud alert for important steps to protect yourself. <https://content.govdelivery.com/accounts/INDWD/bulletins/29861eb>

Q4. What do I do if information in my UI Uplink account is changed without my knowledge?

A4. DWD issued a fraud alert on June 16, 2020 to notify those who have filed for unemployment insurance benefits in 2020 that they need to protect their personal information from potential scammers. As a result of continued attempts by fraudsters, on August 2, 2020, DWD asked that you do the following two things before filing further vouchers:

- Change your password in Uplink to something no one else will know and something that you have not used in the past on other sites (use the password reset option on the Uplink homepage); AND

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- Check your payment election status to ensure it is the payment election that you chose; if you chose direct deposit to your bank account, ensure that the correct bank account is listed. If it is not, immediately fix it. It is recommended that you check this each week prior to completing your weekly voucher.

Q5. What do I do if someone changed my banking information and my payments were wrongfully sent to another account?

A5. If you believe that your payments were wrongfully diverted to another bank account, follow the steps below. Then file an electronic report with the Indiana State Police by filling out the form available at <https://www.in.gov/dwd/2464.htm> and emailing it to uifraud@isp.in.gov. Please do not contact Key Bank as they are unable to assist in the recovery of these funds.

- Change your password in Uplink to something no one else will know and something that you have not used in the past on other sites (use the password reset option on the Uplink homepage); AND
- Check your payment election status to ensure it is the payment election that you chose; if you chose direct deposit to your bank account, ensure that the correct bank account is listed. If it is not, immediately fix it. It is recommended that you check this each week prior to completing your weekly voucher.
- Fill out [State Form 57068](#) and mail or fax it to the department. Upon receipt of this form, DWD will initiate an investigation and issue a determination.
- If you are requesting payments be re-issued, you must also file an electronic report with the Indiana State Police by filling out the form available at <https://www.in.gov/dwd/2464.htm> and emailing it to uifraud@isp.in.gov. Include a copy of the report when you submit the above form.

Q6. What do I do if someone has stolen my identity and filed an account using my personal information?

A6. If you believe you are a victim of ID theft, please do the following:

- Fill out [State Form 57068](#) and mail or fax it to the department. Upon receipt of this form, DWD will lock the account from further use and initiate an investigation and issue a determination.
- If you are currently employed, contact your employer's human resources department so that they can protest your claim with DWD
- Report to Law Enforcement:
 - File an electronic report with the Indiana State Police by filling out the form available at <https://www.in.gov/dwd/2464.htm> and emailing it to uifraud@isp.in.gov.
 - File an identity theft complaint with the Indiana Attorney General's Office at <https://www.in.gov/attorneygeneral/2895.htm> or by calling (800) 382-5516.
 - The FBI also encourages victims to report fraudulent or any suspicious activities to the Internet Crime Complaint Center at <http://www.ic3.gov>. You may consult <http://identitytheft.gov> for help in reporting and recovering from identity theft.
- Protect your credit: Notify the Credit bureaus (Equifax, Experian, and TransUnion)
- Understand identity theft and taxes: For more information about identity theft and the taxes/the 1099-G, please visit:
 - a) Indiana: <https://www.in.gov/dwd/indiana-unemployment/individuals/1099g/>

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- b) IRS: <https://www.irs.gov/identity-theft-fraud-scams/identity-theft-and-unemployment-benefits>

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SECTION G

WHAT IF I REFUSE TO RETURN TO WORK OR REFUSE AN OFFER OF EMPLOYMENT?

Q1. I have a general fear of work due to COVID-19. If I quit or refuse to return to work, would I be eligible for benefits?

A1. No. You will not be eligible for any unemployment benefits (UI, PEUC or PUA) based solely on a general fear of COVID-19. Please contact your employer regarding potential telecommuting, paid time off or other options they may be offering.

Q2. I am called back to work but either myself or a household member has COVID-19 or are quarantined. Can I not return to work and continue to be eligible for unemployment benefits during this time period?

A2. You will continue to be eligible for benefits during the time you or a household member have COVID-19 and/or are quarantined on the advice of a medical professional.

Q3. I do not have childcare due to my child's school or daycare being closed from COVID-19. I am called back to work (either after being off of work or after teleworking due to Covid-19) or quit due to my childcare situation. Am I eligible for unemployment benefits?

A3. You should work with your employer to identify whether they can make accommodations to your job (such as a shift change or telework) to allow you to work. However, if your employer is unable to do this, you will no longer be eligible for regular unemployment insurance benefits as of May 23, 2020. You may be eligible for PUA. See more information on PUA in these FAQs. If you receive a Determination of Eligibility that you are denied regular unemployment benefits due to this issue, you can then apply for PUA on your Claimant Homepage.

Q4. I am called back to work but am high risk as defined by the CDC and have been advised to quarantine by my medical provider. Am I eligible for unemployment benefits if I do not return to work?

A4. You should work with your employer to identify whether they can make accommodations to the workplace or your job to ensure that your specific medical issues are addressed. However, if your employer is unable to do this, you will not be eligible for regular unemployment insurance benefits, but you may be eligible for PUA if one of the PUA reasons applies to you for each week you claim. See more information on PUA in these FAQs. If you receive a Determination of Eligibility that you are denied regular unemployment benefits due to this issue, you can then apply for PUA on your Claimant Homepage.

Q5. I was offered to return to my job or was offered a new job but refused it. Will it impact my unemployment insurance, PEUC or PUA benefits?

A5. Refusing a suitable job offer can impact your eligibility for benefits. A suitable job offer is a job under substantially the same terms and conditions as your previous job. Other factors that are looked at when determining if a job offer is suitable are:

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- 1) the risk involved to your health, safety, and morals;
- 2) your physical fitness and prior training and experience;
- 3) how long you have been unemployed and how likely you are to receive a better job offer; and
- 4) whether the work is more than 30 miles from your home or most recent worksite.

Once you have claimed benefits for more than five weeks in a row, there are rules about the amount of pay you must accept.

- If you have been unemployed for more than five weeks, the work is suitable if it pays 90% or more than your most recent regular weekly wage and meets all the other standards for suitable work.
- If you have been unemployed for more than eight weeks, the work must pay 80% or more than your most recent regular weekly wages and meet all the other standards for suitable work.

There are three reasons that a job offer is not suitable work:

- 1) The job is available because of a strike, lockout, or other labor dispute;
- 2) The job requires you to join a union, resign from a union, or prohibits joining a union;
- 3) You would have to drop out of DWD approved training to take the job.

Even if the job offer is considered suitable, you can refuse it for work related reasons if you have good cause. Work related reasons could be pay, hours, type of work, or distance. Good cause will be determined based on your length of employment, prior pay, conditions of work, additional or new education or skills, prospect of other employment, and availability of work and pay. Personal reasons will not usually be considered good cause because they are not related to the job.

Q6. If an employer reports my refusal to return to work or my refusal to accept a suitable job offer, what happens next?

A6. You will receive a notice on your Uplink correspondence page that an employer has made a report. The Department will investigate the work refusal, and you will receive a Determination of Eligibility (DOE) in Uplink. The DOE will state whether you are qualified or ineligible for UI benefits and explain why the decision was made. If the DOE denies or reduces your UI benefits, you have the right to appeal the DOE. The instructions for appealing are on the DOE.

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SECTION H

THE LOST WAGES ASSISTANCE (LWA) PROGRAMS

Q1. What is the Lost Wages Assistance (LWA) program?

A1. The federal Lost Wages Assistance (LWA) Program was created through a Presidential Executive Order to provide temporary FEMA benefits to unemployed workers impacted by the COVID-19

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pandemic. Because this program is administered through FEMA, it is not an unemployment insurance program.

Q2. Who is eligible for the \$300 in LWA funding?

A2. You will be eligible to receive an additional \$300 per week if all the conditions below are met:

- 1) Your weekly benefit amount is at least \$100 under regular state unemployment insurance (UI), Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), or other eligible federal UI programs; and
- 2) You certify that you are unemployed or partially unemployed due to disruptions caused by the COVID-19 pandemic; and
- 3) DWD determines that you are eligible for an underlying benefit payment for the week; and
- 4) The LWA program has available funding from FEMA.

Q3. Is there an application I must complete for the LWA program?

A3. To receive LWA benefits in Indiana, there is no separate application. However, you must certify whether you are unemployed or partially unemployed due to disruptions caused by the COVID-19 pandemic. To certify, you will click on the “To-Do” at the top of your claimant home page for Lost Wages Assistance. NOTE: Per the terms of the LWA program, you can no longer certify after December 27, 2020.

Q4. When does the LWA start and end?

A4. LWA payments are retroactive to week ending August 1st if you are found eligible while the program is still in existence. The program lasts 6 weeks, until week ending September 5th. You will not receive LWA benefits if you file a late initial claim or voucher outside of the 6 week LWA program period. If you have filed a timely initial claim or voucher that was not resolved during the 6 week LWA program period, the additional LWA \$300 will be funded when the issue is resolved, as long as there is funding still available.

Q5. Are LWA payment subject to federal income tax?

A5. Yes, LWA payments are subject to federal income tax. Indiana will not be withholding taxes from LWA benefits for any claimants. Claimants will pay this tax when they file their taxes.

Q6. What appeal rights do I have if I am not eligible for LWA benefits because I do not meet the requirement to be unemployed or partially unemployed due to COVID-19 or I do not meet the \$100 threshold?

A6. The LWA decision is not appealable per FEMA guidance which states: “Individuals who do not satisfy the ‘eligible claimant’ definition and are not eligible for the supplemental lost wages assistance payment do not have any appeal rights outside of the state’s standard Unemployment Insurance appeals process.” https://www.fema.gov/sites/default/files/2020-09/fema_supplement-lost-wages-payments-under-other-needs-assistance_faq_09-15-2020_0.pdf. Thus, the LWA payment is not appealable as it is not an unemployment insurance payment. Only the underlying UI benefit decision is appealable. For example, if you are found not to be eligible for LWA payments because your weekly benefit amount is less than

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\$100, you would need to appeal the Monetary Determination of Eligibility within the applicable time frames if you believe that your weekly benefit amount is incorrect.

Q7. Where can I find additional information on the LWA program?

A7. You can find additional information on the FEMA website at;

<https://www.fema.gov/disasters/coronavirus/governments/supplemental-payments-lost-wages-guidelines>

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SECTION I

OTHER QUESTIONS

Q1. What are Extended Benefits (EB)?

A1. The Extended Benefits (EB) program is a program that triggers on during periods of high unemployment. During the COVID-19 pandemic, EB extended benefits were available after UI and PEUC was exhausted, during the following period: June 7 – November 14, 2020.

Q2. What happens if I have Extended Benefits remaining on my claim when the program ends?

A2. If there were benefits remaining on your claim when the Extended Benefits program ended, you will not be able to collect them. Depending on your circumstances you may be eligible for Pandemic Unemployment Assistance (PUA).

Q3. I had a previous unemployment insurance claim that is still open. What do I do?

A3. If the claim is still open, you only need to start filing vouchers again. This will reopen the claim.

Q4. If my employer continues to provide health insurance, will it impact my benefits?

A4. No.

Q5. If my employer lays me off and pays for my healthcare insurance coverage through COBRA, how does that impact my unemployment insurance benefits?

A5. If your employer pays for your COBRA coverage, this is considered deductible income and must be reported to DWD and could impact the amount of UI benefits you are eligible to receive.

Q6. Do I have to use all my paid time off (PTO), such as vacation, sick and personal time, before filing for benefits?

A6. No, but you must report any PTO that has been paid to you by your employer. This is considered deductible income and will be used to calculate your weekly unemployment insurance benefit.

Q7. Do I need to do anything if I reported other state employment on my claim and it is not showing on my monetary determination?

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A7. If you chose the state where you physically worked, you do not need to do anything else. A request has been sent to the other state. The other state will send your wages for use in your Indiana claim. If your claim amount changes, you will be sent a new monetary determination.

Q8. Do I need to do anything if I reported Federal Civilian or Military employment and have received a monetary determination that does not show those earnings?

A8. You received a monetary determination because you have enough Indiana wages to open claim. Please follow the instructions on the Federal Employment Coversheet and/or Military Employment Coversheet you received to submit proof of earnings. We can then add those wages to your claim. If your claim amount changes, you will be sent a new monetary determination.

Q9. Do I need to do anything if I reported Federal Civilian or Military employment and have not received a monetary determination?

A9. Please follow the instructions on the Federal Employment Coversheet and/or Military Employment Coversheet you received to submit proof of earnings. We can then add those wages to your claim. If your claim amount changes, you will be sent a new monetary determination.

Q10. What should I do if I did not report out-of-state, Federal Civilian, or Military employment and should have?

A10. Please follow the instructions on the monetary determination to file an appeal.

Q11. I received my federal stimulus payment from the Internal Revenue Service (IRS). Will this impact my unemployment insurance benefits?

A11. No. The federal stimulus payment from the IRS is not considered deductible income for unemployment insurance benefit purposes so it will not impact your weekly benefits.

Q12. I filed my initial claim late. What can I do?

A12. Under the Indiana Administrative Code and the Governor's Executive Order, backdating of initial UI claims is not permitted except for limited circumstances. Specifically, when you filed late due to DWD error or if COVID-19 prevented you from being able to file your claim electronically (e.g. you were sick or quarantined and could not access a computer to file your claim timely). Not knowing that you needed to file or could be eligible are not COVID-19 related reasons. If you believe you may be eligible for a backdated initial claim, you must complete this form: Request to File a Late initial Claim for Unemployment Insurance Benefits. You must provide complete information, or the request will be denied. If the claim is back dated, DWD will contact you to file back vouchers. You will receive a call from DWD at 1-800-298 6650 or 1-800-891-6499.

Q13. My employer received a small business PPP loan to maintain payroll. If my employer paid me full or partial wages with the PPP loan, will this impact my unemployment insurance benefits?

A13. Yes. If you are receiving wages from your employer, whether the wages come from a PPP loan or elsewhere, you must disclose the wages to DWD on the weekly voucher. The wages will impact the weekly benefit amount. You could still be eligible for some UI benefits depending on the amount of wages being paid.

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Q14. If I am working part-time, how will that impact my benefits?

A14. Part-time employment during the week claimed will reduce the amount of benefits paid for that week. If you do work while receiving benefits, you must report any money you earned on the voucher **for the week you worked** (not the week you ultimately get paid for the work). You will report GROSS earning on your weekly voucher (this is for both regular UI, PUA and PEUC). Failure to report money you earned is fraud and can result in denial of benefits, collections actions, and criminal prosecution. If you earned wages from a Base Period Employer (see your Monetary Determination of Eligibility), then a dollar-for-dollar deduction will be taken from your Weekly Benefit Amount (WBA). If you earned wages from an employer who is NOT on your Monetary Determination of Eligibility or in your Base Period, then the following calculation applies. If you earn 20% or less of your WBA from an employer that is not listed on your Monetary Determination of Eligibility, no deduction will be made from your benefit payment. If you earn more than 20% of your WBA from an employer that is not listed on your Monetary Determination of Eligibility, a dollar-for-dollar deduction will be made from your benefit payment for all wages earned in excess of 20% of your WBA. If you work odd jobs for anyone other than your base period employer(s), a dollar-for-dollar deduction will be made after an amount equal to 20% of your weekly benefit amount has been earned.

Q15. I was appointed as a poll worker for Indiana’s June 2, 2020 Primary Election or the November 3, 2020 Election. Should I report the stipend I was paid as income when filing my claim or voucher?

A15. No. Under Executive Order 20-27 and 20-45, stipends paid to those appointed as poll workers for Indiana’s June 2, 2020 Primary Election and November 3, 2020 Election (work beginning with early absentee in-person voting and ending with tabulation of mailed-in ballots) are not considered deductible income under Indiana unemployment compensation law and should not be reported as income. Reporting your poll worker stipend as income will result in the reduction of your benefits and a delay in claims processing. Any income other than the poll worker stipend should continue to be reported in the weekly filing process.

Q16. I received an overpayment notice. Can my overpayment be waived?

A16. In certain circumstances, a claimant may be eligible to have his/her overpayment waived. In accordance with Ind. Code §22-4-13-1(i), an overpayment may be waived upon the request of the individual only if the following criteria are met:

1. the benefits were received by the individual without fault of the individual;
2. the benefits were the result of payments made:
 - a. during the pendency of an appeal before an administrative law judge or the review board under IC 22-4-17 under which the individual is determined to be ineligible for benefits;
OR
 - b. because of an error by the employer or the department; AND
3. repayment would cause economic hardship to the individual.

Claimants must submit an Overpayment Waiver Request application for consideration. The Department will evaluate the request and issue a determination to the claimant. The application can be found at www.unemployment.in.gov under “Forms and Downloads.” Certain exclusions apply. Please see DWD Policy 2020-04 for more information about the waiver process. More FAQs on overpayments can be found at: <https://www.in.gov/dwd/2345.htm>

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Q17. I owe an overpayment for unemployment insurance payments. If I receive the 3rd Economic Impact Payment under American Rescue Plan Act of 2021, will it be offset to pay my outstanding UI overpayment?

A17. DWD is required to send certain overpayment debts to the IRS for offsetting of federal tax returns once the debt is a year old. Pursuant to the IRS, if the Economic Impact Payment is paid as an advance, then no, the Economic Impact Payment is not subject to offset for the unemployment insurance debt. If the Economic Impact Payment is added to your return, then it would be subject to offset if the debt meets the criteria above. See <https://fiscal.treasury.gov/top/faqs-for-the-public-covid-19.html>

Q18. I already have an active claim, but there is a “To-Do” on my Uplink Claimant Homepage with the message to “File a New Unemployment Insurance Claim”. Do I have to file a new claim?

A18. YES, you will need to file a new Unemployment Insurance claim in order to continue to be eligible to be paid. Unless you are within the 52 week period of an active unemployment insurance (UI) claim, DWD is required to have you file a new claim each quarter of the year to ensure you do not meet the minimum eligibility requirement for wages earned. You should click the link to file any outstanding vouchers before you file the new UI claim. Filing a new claim is required under the federal CARES Act. If you are receiving any CARES Act benefits, such as PUA or PEUC, this is required from you each quarter change (e.g. July, October). If you have enough wages, you would be eligible for a regular UI claim, and DWD will automatically put your vouchers on the correct claim. Continue to file your vouchers each week if you are unemployed.

Q19. What happens after I file a quarter change UI claim?

A19. The below are the most common scenarios that will occur after you file your quarter change UI claim:

- A: The claimant has been receiving PUA because all prior UI claims filed on or after 01/27/2020 were denied monetarily. The new quarter change UI claim opens monetarily. Any issues on the UI claim will need to be decided before weekly vouchers can be paid. This is because the UI separation and other UI issues were not originally investigated because the UI claim was denied monetarily. The claimant was only determined eligible for PUA based on PUA eligibility requirements.
- B: The claimant has been receiving PUA because all prior UI claims filed on or after 01/27/2020 were denied monetarily. The claimant’s new quarter change UI claim is again denied monetarily. The claimant will remain on PUA.
- C: The claimant has been receiving PUA because they were denied UI on a non-monetary issue (e.g. a discharge, voluntary quit, work refusal or the like). These claimants will only file a quarter change claim if their monetarily eligible UI claim expired. If the newly filed claim monetarily opens, scenario A would apply.

Q20. Do I have to pay taxes on unemployment insurance benefits, including pandemic benefits?

A20. Yes. We will issue you a 1099G for benefits earned in the calendar year. For more information, please visit <https://www.in.gov/dwd/indiana-unemployment/individuals/1099g/>. Please NOTE that pursuant to the IRS webpage, the following now applies to your federal taxes: “If your modified adjusted gross income (AGI) is less than \$150,000, the American Rescue Plan enacted on March 11, 2021, excludes from income up to \$10,200 of unemployment compensation paid in 2020, which means you

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don't have to pay tax on unemployment compensation of up to \$10,200. If you are married, each spouse receiving unemployment compensation doesn't have to pay tax on unemployment compensation of up to \$10,200. Amounts over \$10,200 for each individual are still taxable. If your modified AGI is \$150,000 or more, you can't exclude any unemployment compensation." For more information, see <https://www.irs.gov/faqs/irs-procedures/forms-publications/new-exclusion-of-up-to-10200-of-unemployment-compensation>

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